

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**Spokane County**

Report Date  
**June 15, 2009**

**Report No. 1001878**

Issue Date  
**August 3, 2009**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

August 3, 2009

Board of Commissioners  
Spokane County  
Spokane, Washington

***Report on Accountability***

Please find attached our report on Spokane County's accountability and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the County's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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June 15, 2009

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# **Audit Summary**

**Spokane County  
June 15, 2009**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of Spokane County.

We performed audit procedures to determine whether the County complied with state laws and regulations and its own policies and procedures. We also examined County management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2007, through December 31, 2007.

## ***RESULTS***

The County complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets. However, we identified conditions significant enough to report as findings:

- Internal controls at Spokane County pools, lake resorts and golf courses are not adequate to protect County assets.
- Spokane County's internal controls are insufficient to ensure inter-fund billings are accurate and properly supported.
- Spokane County did not comply with its own purchasing policy and state bid law.

We also noted certain issues that we communicated to County's management. We appreciate the County's commitment to resolving the issues.

## ***RELATED REPORTS***

Our opinion on the County's financial statements and compliance with federal program requirements is provided in a separate report, which includes the County's financial statements.

## ***CLOSING REMARKS***

We thank County officials and personnel for their assistance and cooperation during the audit.

# Description of the County

Spokane County  
June 15, 2009

## **ABOUT THE COUNTY**

Spokane County is the fourth largest county in the state with an estimated population of 451,000 citizens. The local economy traditionally has relied on forest products, agriculture and mining. However, it has diversified to include technology firms, manufacturing companies and service industries. The County is also home to Fairchild Air Force Base, several institutions of higher education and large medical centers.

The County has approximately 2,100 employees and operates on a \$283 million annual budget. The County's governing body consists of a three-member Board of Commissioners. Board Members are elected to serve staggered, four-year terms.

## **AUDIT HISTORY**

We audit the County annually. The past five audits of the County have reported some areas of concern. The 2006 audit contained seven findings covering noncompliance with federal grant requirements, budget preparation, noncompliance with requirements to keep minutes for all meetings of the county commissioners, and insufficient internal controls to ensure compliance with county and state purchasing requirements.

## **ELECTED OFFICIALS**

These officials served during the audit period:

### Board of Commissioners:

District 1	Todd Mielke
District 2	Mark Richards
District 3	Bonnie Mager
Assessor	Ralph Baker
Auditor	Vicky M. Dalton, CPA
Clerk	Thomas R. Fallquist
Prosecuting Attorney	Steven J. Tucker
Sheriff	Ozzie Knezovich
Treasurer	D.E. "Skip Chilberg"

## **APPOINTED OFFICIALS**

Chief Executive Officer

Marshall Farnell

**ADDRESS**

County

1116 W. Broadway Avenue  
Spokane, WA 99260  
(509) 477-2265

# Audit Areas Examined

## Spokane County June 15, 2009

In keeping with general auditing practices, we do not examine every portion of Spokane County's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the County were examined during this audit period:

### **ACCOUNTABILITY**

We evaluated the County's accountability and compliance with laws, regulations, contracts and grant agreements in the following areas:

- Accounting/financial reporting
- Cash receipting
- Small and attractive assets such as computers
- Contracts/agreements
- Debt/covenants
- Insurance/risk management
- Investments
- Open public meetings/records laws
- Disbursements/expenditures
- Information technology/data security
- Payroll/personnel
- Conflict of interest/ethics laws
- Compliance with grant requirements
- Inter-fund transactions/balances
- Restricted funds
- Budget compliance
- Procurement bidding/prevaling wage

### **FEDERAL PROGRAMS**

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the County's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

### **FINANCIAL AREAS**

Our opinion on the County's financial statements is provided in a separate report. That report includes the County's financial statements and other required financial information. We examined the financial activity and balances of the County including:

- Cash and investments
- Revenue
- Expenditures/expenses
- Financial condition
- Long-term debt
- Overall presentation of the financial statements
- Financial statement preparation

# Schedule of Audit Findings and Responses

## Spokane County June 15, 2009

### 1. Internal controls at Spokane County pools, lake resorts and golf courses are not adequate to protect County assets.

#### Description of Condition

The Spokane County Department of Parks, Recreation and Golf operates three swimming pools and three lake resorts. It also contracts with golf professionals to collect greens fees at its three golf courses. In 2007 the County collected \$436,902 from swimming pool operations, \$60,573 from lake resort operations and \$1.7 million from golf course operations.

During our audit we found:

#### Swimming pools

- The Parks Department issues multi-use passes to each swimming pool to sell for \$50 each. The Department does not track how many passes were issued, sold or still on hand. The County did not reconcile passes issued to the amount collected to ensure all passes were accounted for. While the audit was in progress, the County found 225 passes worth \$11,250 were missing or unaccounted for. We could not determine whether the passes were sold, given away, lost or destroyed.
- The County did not correctly calculate sales tax on pool passes and did not remit it in a timely manner to the state Department of Revenue from 2005 through October 2008. Taxes paid for the time period totaled \$49,743.
- The County spent \$45,185 on concessions and related supplies at the North and South Side pools. The County did not have policies or procedures to ensure these supplies were used at the facilities. The County did not track inventory or verify that expected concession revenue was received and deposited.
- The cash registers at the North and South Side pools were not cleared of excess cash during the day. At both locations, they contained more than \$1,000, mostly in small bills. Money fell out of the registers because they were so full.
- The cash register keys at the pools were left in the registers so anyone standing near the cash register had access to them.
- Cash register tapes, deposits and daily sales summaries used to track admission and concession sales were not reconciled in a timely manner. Reconciliations for June, July and August 2008 were not completed until November 2008.
- We reconciled daily sales summary reports to deposits and found deposits for the South Side pool were \$8,603 less than sales and deposits for the North Side pool were \$468 less than sales. The County could not explain the shortages. We also found \$7,802 in credit card transactions were not properly recorded due to a system issue that prevented them from being posted to the cash register total.
- County policy requires cashiers and managers to sign daily transmittal reports to document daily bank deposits. Of the 154 reports reviewed we found 23 were not signed.
- The North and South Side pools are authorized to have \$500 in petty cash on hand. The pools had petty cash totaling \$1,060. The \$560 excess is unauthorized petty cash or un-deposited receipts.



### Lake resorts

- Cash register tapes and other supporting documentation were not used to reconcile cash collected prior to deposit in a timely manner. Reconciliations for June, July and August were not completed until October 2008.

### Golf courses

- The County sells discount passes and multi-use passes. The receipting system does not automatically track rounds of golf played or invalidate passes when they have been fully used. Therefore, pass use can exceed what has been paid for. Instead, pass use is manually updated in the system monthly and passes are manually deactivated to prevent further use.

## **Cause of Condition**

The County has not established policies or procedures to ensure:

- All money due is properly collected, deposited, recorded and reconciled.
- Un-deposited cash is properly safeguarded.
- Sales tax is correctly calculated and submitted to the State Department of Revenue in a timely manner.
- Concessions inventory is properly safeguarded and tracked.
- Golf passes are deactivated timely to prevent unauthorized use.
- Fees paid directly benefit the County and its operations.

## **Effect of Condition**

Without adequate policies and procedures, the County cannot ensure all revenue due was properly collected and deposited and that all expenditures were allowable.

Because the County did not pay its sales tax in a timely manner, it could be subject to penalties from the state Department of Revenue.

## **Recommendation**

We recommend the County establish and follow policies and procedures to ensure revenue is collected, deposited and recorded properly, un-deposited cash is safeguarded, inventory is safeguarded and tracked, golf passes are deactivated when fully used and fees paid directly benefit the County. We also recommend the County comply with Department of Revenue sales tax requirements and contact the Department regarding any payment due.

## **Auditee's Response**

*Since this audit was performed many policies and procedures were modified and/or improved for better internal control and operational safeguards. We address the audit findings as follows:*

- Missing and/or unaccounted swim passes. *A policy has been established to log out all swim passes, noting the numbers on the passes and location to which they are distributed. All passes are checked when received from the printer to verify number sequence and determine any missing numbers. Passes that are lost or given out for promotion are to be documented.*
- Sales tax calculation. *This year the swim passes are rung up in the point of sale at full cost including the sales tax at each pool site. Sales tax is calculated at month-end and accounted for via journal entry.*

- Concessions and supplies at pool sites. Each pool site receives concessions and is invoiced separately from the other site. A beginning inventory will be done when the first order is received the week before opening day. Spoilage and waste reports are completed daily at each site. Weekly inventory counts will be performed during the season of June through August.
- Excess cash in cash registers. Per the new policy, the manager is to clear out all excess cash from the cash register often during the day, especially after a rush period.
- Cash register key. Per the new policy, all cashiers are to check out their cash drawer, then keep the key bracelet on them at all times; their drawer is to be locked whenever they step away from their cash register.
- Cash register tapes and reconciliations. Effective with new personnel, reconciliations will be performed timely, daily tapes will be matched to bank deposits within three days, and differences will be investigated promptly.
- Daily sales summary reports/deposits/credit card posting. Credit card transactions are reconciled to a monthly report downloaded from the merchant provider and a cash receipt created.
- Signature on daily transmittal reports. Per the new policy, all cashiers and managers are to complete a drawer check out form and a transmittal report at the end of the shift. Discrepancies are noted on the form, which is forwarded to the Aquatic Rec Specialist daily. If this procedure is not followed, disciplinary action will occur.
- Petty cash. A daily count of all pool site safes will be performed. All overages/shortages to the appropriate petty cash balance will be reflected in the daily deposit, with differences noted.
- Lake resort - Cash register tapes and reconciliations. Effective with new personnel, reconciliations will be performed timely, daily tapes will be matched to bank deposits within three days, and differences will be investigated promptly.
- Golf courses – discount passes and multi-use passes. Discount passes are bar coded and scanned at the time of round purchase, giving the purchaser the applicable discount. Multi-use passes are bar coded and scanned at each use. They are also hand punched for each round of golf played. The scan allows the golf course to run a report for uses per card. The punch allows the card holder to keep track of how many uses are left. A flaw in the system is that all golf course systems are not integrated. A card holder may use the card at any of the three county courses; therefore reports must be run separately for each course and then merged to calculate total card use for each card. However, the punch prevents overuse by the card holder and all clerks are instructed as to the importance of manually punching every card at every use.

## **Auditor's Remarks**

We appreciate the County's response and commitment to resolving these issues and thank the County staff and management for their cooperation and assistance during our audit. We will review the status of these issues as part of our next audit.

## **Applicable Laws and Regulations**

The Budgeting, Accounting, and Report Standards Manual (BARS) Volume 1, Part 3, Chapter 1, Section C, states in part:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations, and policies.

# Schedule of Audit Findings and Responses

## Spokane County June 15, 2009

### 2. Spokane County's internal controls are insufficient to ensure inter-fund billings are accurate and properly supported.

#### Background

The County has special funds it uses for money whose use is restricted. During 2007, the County billed more than \$20,900,000 for inter-fund services and charges such as payroll to these funds.

#### Description of Condition

During our audit, we found:

- Six County Treasurer's Office employees' payroll and benefits are charged to special funds based on estimated time they would spend working on activities paid for with these funds. We found no time records or activity reports to support the \$176,405 billed to Treasurer's Operations and Maintenance fund, Road Improvement District Administrative fund and Investment Pool Operations and Maintenance fund.
- During 2007, the salaries of two employees were paid half by the General Fund Parks Department and half by the Conservations Futures Special Revenue Fund. The employees' daily activities did not support an equal payment from the two funds. The County charged the Conservation Futures Fund \$18,712 plus related benefits during 2007. The County continued to allocate half of the salary and benefits to the funds in 2008.
- The County uses an indirect cost plan to allocate costs that benefit more than one department. During 2005, 2006 and 2007, the County allocated \$11,357 to the wrong funds and departments.

#### Cause of Condition

The County has not established procedures to ensure inter-fund billings and allocated costs are accurate and reflect actual costs,

#### Effect of Condition

The County cannot demonstrate compliance with restrictions on special funds. This increases the risk the restricted funds will be used for unallowable purpose.

#### Recommendation

We recommend the County establish and follow policies and procedures to ensure inter-fund billings and allocations are based on actual costs and benefit the fund being charged.

The County should stop billing salary and benefit costs that are not supported, return the salary and benefits overcharged to the Conservation Futures Fund during 2007 and 2008, and correct the indirect cost plan.

## Auditee's Response

### Treasurer's Response:

*Allocations of payroll to special funds in 2008 were based on the following:*

- *Investment Officer-100% of the investment officer's time is charged to fund 107, Investment Pool O&M. The investment officer is a dedicated resource to this fund.*
- *Foreclosure Specialist-75% of the Foreclosure Specialists time is allocated to fund 102, Treasurer's O&M, based on the number of months she works each year on parcels in foreclosure. The process begins in May and ends in January.*
- *Tax Collection Specialist-One tax collection specialist is assigned to the maintenance of improvement district billings. 50% of her time is charged to fund 105, the ID Administrative Fund. In 2009 we will have her track her time for a number of months to determine the actual time spent on this activity.*
- *Tax Collection Supervisor-One supervisor is responsible for the personnel who work on IDs (Fund 105) and foreclosures/distrain (Fund 102). She supervises 10 employees. Rather than attempt to track her time associated with each function she supervises, one tenth is associated to each employee. So for fund 105, 10% of her time was charged to this fund. For fund 102, she also has responsibility for distraint so an additional 5% was charged to this fund. In 2009, an additional percentage of a Tax Collection Specialist III's time will be allocated to fund 102 based on the number of months she works on property in distraint (similar to the approach taken with foreclosure). In the past, the distraint effort was absorbed by the general fund.*
- *Sr Finance Manager-In 2008, 10% of the Sr Finance Manager's time was charged to fund 105 and 5% was charged to fund 102. In 2009, we will have him track the amount of time spent on activity in support of fund 105, 102, and 107 for a number of months to determine the actual time spent in support of each.*
- *Deputy Treasurer-5% of the Deputy Treasurer's time is charged to each special fund based on the number of employee's in that fund. Because a significant amount of the Deputy Treasurer's time is spent monitoring investment activities, in 2009, we will track his time for a period of months to determine the actual time spent in support of Fund 107.*

*In 2009, the Treasurer's Office has begun charging Fund 107 2.5% of the salary and benefits for Accounting staff support of investment activity. These employees handle the actual transfers and daily balancing of investment transactions as part of their work. Attempting to isolate "investment cash" from all other types of transactions would be difficult since all funds are immediately invested by our office on behalf of the districts we serve. The 2.5% is a relatively minor amount but it is unfair for the general fund to subsidize costs associated with maintaining the investment fund. Allocation of charges from a number of functions in the office to the appropriate fund is often difficult due to the nature of what we do. For instance, cashier time associated with the receipt of ID or foreclosure payments is not captured because there is no effective mechanism to do this. So these costs are absorbed by the general fund. We would welcome any suggestions the SAO would have for capturing these types of costs in a reasonable and efficient manner.*

### Park's Response:

*Interfund billings – salary allocation*

*Allocation of salaried employees between General Fund Parks Department and Conservations Futures Special Revenue Fund is estimated for budget purposes and to facilitate payroll data entry for each pay period. Actual time spent for each fund is tracked by the individual on a timesheet and will be reconciled each quarter. Differences will be reallocated via journal entry between the funds.*

Indirect Cost Plan Response:

*The costs that were allocated to incorrect departments were derived from a default spreading of secondary costs within the plan. The verification procedure of the indirect cost plan has been updated to include the review of these default spreads for accuracy.*

**Auditor's Remarks**

We appreciate the County's response and commitment to resolving these issues and thank the County staff and management for their cooperation and assistance during our audit. We will review the status of these issues as part of our next audit.

**Applicable Laws and Regulations**

The Budgeting, Accounting, and Report Standards Manual (BARS) Volume 1, Part 3, Chapter 1, Section C, states in part:

Internal control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss, and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations, and policies.

# Schedule of Audit Findings and Responses

## Spokane County June 15, 2009

### 3. Spokane County did not comply with its own purchasing policy and state bid law.

#### Description of Condition

The County spent over \$28 million on supplies, materials and equipment in 2007. The County has a centralized purchasing system to control costs and ensure compliance with state law. County policy requires departments to use the central Purchasing Department for purchases exceeding \$2,500. The County uses a vendor list for purchases between \$2,500 and \$25,000. Vendors must request to be added to the vendor list. Before a purchase between \$2,500 and \$25,000 is made, at least three vendors from the list are to be contacted to determine where the items can be bought at the best price. For purchases exceeding \$25,000 competitive bid laws apply.

During our audit we found:

- The County's financial system allows departments to circumvent the Purchasing Department and make purchases in excess of their approved limits. In addition, lack of system controls allow payments to be made without verifying a contract is in place and in excess of the contracted amount.
- In looking at the selected vendor documentation, the County did not always obtain quotes from three different vendors or document why three quotes could not be obtained.
- Of 27 quotes we reviewed, 13 were from businesses that were not on the approved vendor list.
- Of eight purchases we reviewed, five were from vendors that were not on the approved vendor list.
- The County did not consistently have vendors include sales tax on quotes submitted. Five of the 27 quotes reviewed did not include sales tax as a portion of the cost.
- The County did not retain documentation to confirm which businesses had requested placement on the approved vendor list.
- The County has not posted all purchases awarded through the vendor list at least once every two months as required.
- The County spent \$171,802 on meat and \$245,160 on produce in 2007 without formally putting the items up for competitive bidding.

#### Causes of Condition

Internal controls over purchasing supplies, materials and equipment are not adequate to ensure compliance with County policies and state law. County procurement policies have not been updated in several years and do not provide adequate guidance to employees.

## Effect of Condition

The lack of adequate procedures and controls limits the Purchasing Department's effectiveness at ensuring the best price is received, state laws are followed and contracts entered into are in the best interest of the County.

## Recommendation

We recommend the County establish and follow procedures and controls to ensure compliance with its purchasing policy and state law.

## Auditee's Response

- *In 2007, the County discontinued the process of financial system upgrades thereby stabilizing on one release version of the system which will ease the possibility of implementing customizations to the pertinent module of the financial system to address this finding. Beginning in 1999, Purchasing began exploring the possibility of making such system customizations. Around 2002 Purchasing made initial requests to customize the pertinent system module inasmuch as the Purchasing Department is not the "owner" of the pertinent module and, therefore, cannot authorize changes. This request is pending implementation by the module owner.*
- *RCW 39.04.190(2) indicates that quotes are to be secured ". . . from at least three different vendors, whenever possible . . ." The forgoing underlined emphasized text acknowledges and allows that it may not always be possible to secure three quotes. The statute does not mandate that files be so documented as to why three quotes could not be secured. The Purchasing Department consistently seeks to obtain at least three quotes, but the fact that a file may not be so annotated as to why it was not possible in a particular case, does not thereby indicate that the effort to secure three quotes was not made.*
- *RCW 39.04.190(2) indicates that the municipality shall publish ". . . a notice of the existence of vendor lists and solicit the names of vendors for the lists." Since the adoption of RCW 39.04.190 in 1991, it has been the County's consistent understanding that the meaning of this RCW is: (1) an acknowledgement that there are, and can be, multiple vendor lists, due to the plurality of the word "lists" as used in the statute; and (2) that the municipality can at anytime solicit names for the vendor lists insofar as the underlined portion of the text above has been understood as an independent clause. However, in December 2008 and by resolution of the Board of County Commissioners, the County more specifically adopted a procedure for the Uniform Process which formalizes the historical understanding.*
- *Despite our best efforts to have vendors include sales tax in their bids when it is applicable, sometimes vendors might fail to include tax in their quotes. Since the County does not have the authority to waive sales tax (when it's actually applicable) the County has considered such "failure" on the part of the vendor to be a minor irregularity. In such case, the County would obtain the applicable tax and take it into consideration together with the bids submitted in making an award. Consequently the inclusion, or inadvertent omission, of sales tax by a vendor on the bid submittal affords no vendor any competitive advantage, or disadvantage, whatsoever. There mere fact that a vendor might not have included sales tax on their quote, does not of itself mean that the appropriate and applicable tax (whether sales tax or use tax) was not considered and applied in making the award.*
- *RCW 39.04.190 does not specify that documentation must be perpetually maintained. Nevertheless, up until January 2008, the Purchasing Department consistently maintained the documentation confirming which vendors requested to be added to the vendor lists. Due to limited file space, in January of 2008 older documentation was dispose of. Despite this, and*

at considerable added cost to the County and taxpayers, a vendor list re-validation effort was completed by the end of December 2008.

- *RCW 39.04.190(2) indicates that, "Immediately after the award is made, the bid quotations obtained shall be recorded, open to public inspection, and shall be available by telephone inquiry." These are available to the public upon request. The procedure adopted for the Uniform Process in December 2008 addresses the matter of posting and we are in process of finalizing the matter of posting.*
- *The County has historically taken a more competitive approach to bidding meats and produce which are perishable commodities. The County has solicited competitive bidding more frequently than on an annual basis by soliciting competitive bids on a monthly basis for meat and produce due to the following reasons: (1) these commodities are perishable and have a limited (short) shelf-life, (2) the County possesses limited refrigerated storage space; and (3) quantities purchased must be commensurate with the rate of consumption. This replenishment order quantity based on usage, places the replenishment need within the dollar range of the Uniform Process. The County completed an 11-month review and comparison of the prices paid on our monthly frozen meats purchases in 2008 as compared to the prices that would have been paid under an annually bid WA State contract. If the County had utilized the WA State contract, instead of the monthly bids, the expenditure for these meats would have been approximately \$30,000 more for the same 11-month period than what the County had actually paid by doing monthly bids. Bidding more frequently does not in circumvent competitive bidding. The monthly bidding efforts have included both regional suppliers as well as national suppliers. Because this seeks and encourages competition, the County will additionally consider the placement of a separate bi-annual advertisement announcing the monthly bidding of meat and produce.*

## **Auditor's Remarks**

We appreciate the County's response and commitment to resolving these issues and thank the County staff and management for their cooperation and assistance during our audit. We will review the status of these issues as part of our next audit.

## **Applicable Laws and Regulations**

Spokane County Code:

### 1.04.060 Materials, supplies, and equipment

The purchase of materials, supplies and equipment shall be made by the purchasing department for all departments and the county except for that portion of decentralized purchasing authorized in the purchasing procedures issued by purchasing and exclusive of any county hospital contracts or purchases as shall be made pursuant to RCW 36.77 and except for such contracts and purchases for the printing of election ballots, voting machine labels and all other election material containing the names of candidates and ballot titles.

### 1.04.080 Services

All services, excluding those subject to RCW 39.80, may be contracted for directly by elected officials and appointed department heads. To facilitate accountability by the board of county commissioners and for elected officials, effective date, January 1, 1999, items (1) and (2) are discretionary, but encouraged and item (3) is mandatory.

(1) Discretionary – see 1.04.080

(2) Discretionary – see 1.04.080



- (3) Furnish a file copy of the contract to Purchasing after it is signed by the elected official or department head and the service provider.

For appointed department heads, authority to enter into service contracts is contingent on prior completion of these three steps and no contract work or payments will occur prior to these steps being completed.

When purchasing services, it is the policy of the county to secure competitive proposals but, it is not mandatory where reasonable and prudent judgment dictates otherwise. Typical factors to consider when evaluating a prospective service provider include professional reputation appropriate experience of the firm, experience of the staff, experience in working with government entities and county government in particular, financial stability, ability to do work, overall cost, and any other pertinent factors.

## **Spokane County Purchasing Policy**

### **Departmental Limitations and guidelines**

Purchase value limit: NOTE – Splitting of purchase orders to avoid purchase order dollar limitations is a violation of County Code and State law.

- 1) \$2,500 is the standard departmental purchase order limit including tax and freight. NOTE: A few departments have been issued higher limits – call purchasing if you have a question about your limit.
- 2) \$10,000 or more requires formal bid advertisement for Public Works projects and Personal Services.
- 3) \$25,000 or more requires sealed formal bids and advertisements for material, supplies, equipment and certain services . . . .

### **Revised Code of Washington:**

#### **RCW 39.04.280 Competitive bidding requirements — Exemptions**

This section provides uniform exemptions to competitive bidding requirements utilized by municipalities when awarding contracts for public works and contracts for purchases. The statutes governing a specific type of municipality may also include other exemptions from competitive bidding requirements. The purpose of this section is to supplement and not to limit the current powers of any municipality to provide exemptions from competitive bidding requirements.

(1) Competitive bidding requirements may be waived by the governing body of the municipality for:

- (a) Purchases that are clearly and legitimately limited to a single source of supply;
- (b) Purchases involving special facilities or market conditions;
- (c) Purchases in the event of an emergency;
- (d) Purchases of insurance or bonds; and (e) Public works in the event of an emergency.

(2)(a) The waiver of competitive bidding requirements under subsection (1) of this section may be by resolution or by the terms of written policies adopted by the municipality, at the option of the governing body of the municipality. If

the governing body elects to waive competitive bidding requirements by the terms of written policies adopted by the municipality, immediately after the award of any contract, the contract and the factual basis for the exception must be recorded and open to public inspection.

If a resolution is adopted by a governing body to waive competitive bidding requirements under (b) of this subsection, the resolution must recite the factual basis for the exception. This subsection (2)(a) does not apply in the event of an emergency.

(b) If an emergency exists, the person or persons designated by the governing body of the municipality to act in the event of an emergency may declare an emergency situation exists, waive competitive bidding requirements, and award all necessary contracts on behalf of the municipality to address the emergency situation. If a contract is awarded without competitive bidding due to an emergency, a written finding of the existence of an emergency must be made by the governing body or its designee and duly entered of record no later than two weeks following the award of the contract.

(3) For purposes of this section "emergency" means unforeseen circumstances beyond the control of the municipality that either: (a) Present a real, immediate threat to the proper performance of essential functions; or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken.

#### RCW 36.32.245 Competitive bids — Requirements — Advertisements — Exceptions.

(1) No contract for the purchase of materials, equipment, or supplies may be entered into by the county legislative authority or by any elected or appointed officer of the county until after bids have been submitted to the county. Bid specifications shall be in writing and shall be filed with the clerk of the county legislative authority for public inspection. An advertisement shall be published in the official newspaper of the county stating the time and place where bids will be opened, the time after which bids will not be received, the materials, equipment, supplies, or services to be purchased, and that the specifications may be seen at the office of the clerk of the county legislative authority. The advertisement shall be published at least once at least thirteen days prior to the last date upon which bids will be received.

(2) The bids shall be in writing and filed with the clerk. The bids shall be opened and read in public at the time and place named in the advertisement. Contracts requiring competitive bidding under this section may be awarded only to the lowest responsible bidder. Immediately after the award is made, the bid quotations shall be recorded and open to public inspection and shall be available by telephone inquiry. Any or all bids may be rejected for good cause.

(4) For advertisement and formal sealed bidding to be dispensed with as to purchases between five thousand and twenty-five thousand dollars, the county legislative authority must use the uniform process to award contracts as provided in RCW 39.04.190. Advertisement and formal sealed bidding may be dispensed with as to purchases of less than five thousand dollars upon the order of the county legislative authority.

(5) This section does not apply to performance-based contracts, as defined in RCW 39.35A.020(4), that are negotiated under chapter 39.35A RCW;

or contracts and purchases for the printing of election ballots, voting machine labels, and all other election material containing the names of candidates and ballot titles.

- (6) Nothing in this section shall prohibit the legislative authority of any county from allowing for preferential purchase of products made from recycled materials or products that may be recycled or reused.

RCW 39.04.190 Purchase contract process — Other than formal sealed bidding.

- (1) This section provides a uniform process to award contracts for the purchase of any materials, equipment, supplies, or services by those municipalities that are authorized to use this process in lieu of the requirements for formal sealed bidding. The state statutes governing a specific type of municipality shall establish the maximum dollar thresholds of the contracts that can be awarded under this process, and may include other matters concerning the awarding of contracts for purchases, for the municipality.
- (2) At least twice per year, the municipality shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of vendor lists and solicit the names of vendors for the lists. Municipalities shall by resolution establish a procedure for securing telephone or written quotations, or both, from at least three different vendors whenever possible to assure that a competitive price is established and for awarding the contracts for the purchase of any materials, equipment, supplies, or services to the lowest responsible bidder as defined in RCW 43.19.1911. Immediately after the award is made, the bid quotations obtained shall be recorded, open to public inspection, and shall be available by telephone inquiry. A contract awarded pursuant to this section need not be advertised.

RCW 39.04.200 Small works roster or purchase contracts — Listing of contracts awarded required.

Any local government using the uniform process established in RCW 39.04.190 to award contracts for purchases must post a list of the contracts awarded under that process at least once every two months. Any state agency or local government using the small works roster process established in RCW 39.04.155 to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property must make available a list of the contracts awarded under that process at least once every year. The list shall contain the name of the contractor or vendor awarded the contract, the amount of the contract, a brief description of the type of work performed or items purchased under the contract, and the date it was awarded. The list shall also state the location where the bid quotations for these contracts are available for public inspection.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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