
Washington State Auditor's Office

Exit Conference

City of Gold Bar

January 1, 2007 through December 31, 2008

October 27, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Audit Information

Audit Scope

Our audit was planned and conducted using a risk-based approach covering the following general areas for the period beginning January 1, 2007 and ending December 31, 2008:

- Accountability for public resources and compliance with laws and regulations

In keeping with general auditing practices, we did not examine every transaction, activity or area. Instead, our procedures focused on identifying and examining those transactions, activities or areas that posed the highest risk.

Accountability for Public Resources and Legal Compliance

We evaluated accountability for public resources and compliance with certain laws and regulations in the following areas:

- Credit card expenditures
- Open Public Meetings & Public Disclosure Act compliance
- Restricted revenue
- Utility billing adjustments
- General disbursements

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will not include any findings.

These reports are expected to be issued two to three weeks from the date of this conference. We now offer a free subscription service that allows you to be notified by email when audit reports are released or posted to our Web site. You can sign up for this convenient new service on our website at:

www.sao.wa.gov/EN/News/Subscriptions

Audit Results

Audit Recommendations

We are pleased to report no findings. We will review the status of the following exit items and management letter comment in our next audit.

Budget Compliance

The City's fiscal year 2008 financial statements show that City Street Fund expenditures exceeded appropriations by \$2,011. The City's budget ordinance shows that total budgeted expenditures agree to the sum of budgeted expenditures and budgeted ending cash and investments on the financial statements. Additionally, the supporting budget papers to the ordinance agree with the financial statements, not with the budgeted expenditures on the ordinance. It appears that the City's intended expenditure budget does not agree to the City's actual budget ordinance, which is the legal appropriation for each fund.

We recommend the City improve its annual budget adoption process to ensure that the supporting budget papers and the financial statements agree with the final adopted budget ordinance.

Open Public Records

The City has not adopted or published procedures for requesting and fulfilling requests for public records as required by state law (RCW 42.56.040). We noted that the City has created a form used to submit requests that is published on its website and provided at the front desk.

In our testing of ten public records requests, we noted one instance where the date the requestor was contacted by the City was not documented. Therefore, we could not confirm that the requestor had been contacted within five business days after submitting a request as required by state law (RCW 42.56.520).

We recommend the City adopt and publish procedures for requesting and fulfilling requests for public records and document all contact dates between City employees and requestors.

Safeguarding of Assets

The City does not have a policy that describes small and attractive assets and tracking procedures required for these assets. The City also does not perform regular inventory of assets.

We recommend the City develop policies and procedures to safeguard assets, including items that could be considered small and attractive.

Cash Receipting

The City does not deposit receipts on a regular basis and has no policy that describes when deposits should be done. The Budgeting, Accounting and Reporting manual

suggests that receipts be deposited daily, to ensure that public resources are safeguarded.

We recommend the City develop a policy that describes procedures for depositing receipts in a timely manner.

Restricted Revenues

Real Estate Excise Tax (REET) funds were used to purchase computer system upgrades at City hall totaling \$17,688. This project was not listed in the City's comprehensive plan and therefore is not an allowable use of the funds per RCW 82.46.010(6). We recommend the City use REET funds for items on the comprehensive plan and in accordance with state law.

General Disbursements

We tested 25 disbursements totaling \$18,352 for adequate supporting documentation, allowability, and proper approval. We noted the following exceptions:

- Three disbursements totaling \$346 were for travel mileage reimbursement for trainings. However, the supporting documentation which the Council approved did not have a description of the training or organization providing the training. Additionally, there were no approved Travel and Training Request forms on file as required for travel expenditures per the City's personnel policy (12.3 (b) (1)).
- Two disbursements totaling \$316 were for meals provided to City volunteers and for a going away party for a City employee. The Council does not have a policy governing the purchase of food for volunteers or for City employee recognition.

Before approving warrants, the City Council relies on the Finance Committee to review warrants in detail before recommending approval. We noted that none of the disbursements tested indicated approval by the Finance Committee.

We recommend the City maintain adequate records indicating finance committee approval, require full documentation of travel costs submitted for reimbursements per City policy and the Council should adopt a policy governing the purchase of food for City volunteers and employee recognitions.

Utility Adjustments

The City Clerk does not print an adjustment report to confirm that she is performing a review of all adjustments to the Utility system. Additionally, we noted that the City does not keep ready and orderly support for all utility adjustments. During our testing of 12 adjustments totaling \$45,656 we found that two adjustments totaling \$499 were to write off liens and accounts payables for individuals that had filed bankruptcy. The City wrote these off without performing due diligence to ensure that each individual bankruptcy qualified under bankruptcy laws to be written off.

As the City's control structure relies on the City Clerk for independent review, we recommend the Clerk maintain documentation supporting the review of utility adjustment and the City retain support for utility adjustments. Additionally, we recommend the City perform due diligence to ensure that all bankruptcy write offs are qualified under bankruptcy laws.



**Washington State Auditor
Brian Sonntag**

October 27, 2009

Mayor and City Council
City of Gold Bar
Gold Bar, WA

Management Letter

In planning and performing our accountability audit of the City of Gold Bar for January 1, 2007, through December 31, 2008, we noted some areas in which the City's controls over their fuel and gas card charges could be improved. While this item is not significant enough at this time to include in our report, we believe our recommendations will assist you in improving the City's credit card controls.

We will review the status of these comments during our next audit. We have already discussed these comments and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact Casey Dwyer at (425) 257-2137.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Casey Dwyer, Audit Manager

Attachment

Management Letter

City of Gold Bar

January 1, 2007 through December 31, 2008

Credit and gas card internal controls

The City used credit cards for purchases totaling about \$16,158 in 2007 and \$19,115 in 2008. It used fuel cards for purchases totaling about \$5,798 in 2007 and \$8,737 in 2008. The City expended \$4,872 in 2007 and \$4,366 in 2008 for travel related purposes.

We reported a finding in the prior audit regarding a lack of supporting documentation for credit card charges and weak internal controls over the use of credit cards.

In July of 2008, after we reported the finding, the City found determined an employee may have used a gas card for personal purchases. The City forwarded the issue to the Snohomish County Prosecuting Attorney, but due to inadequate internal controls over fuel card use, it could not be determined what had occurred.

During our audit, we found:

- Although the City safeguards credit cards in a locked safe, the City does not maintain a written log of employees who check out the cards and the purpose for their use.
- The Finance Committee is independently reviewing all credit card payments, but we found no documentation to support this review. As a result, we were unable to determine if credit card statements in the name of the Clerk-Treasurer and paid by the Clerk-Treasurer were independently reviewed before payment was made.
- City policy states department heads that are issued credit cards are responsible for distributing and tracking charges to them. The Public Works Department relies on the Clerk-Treasurer to track charges. As a result, the City is not complying with its policy.

We also noted:

- No receipts for six charges totaling \$168 to show the validity or propriety of the purchases.
- No itemized receipts for four charges totaling \$93 to show the propriety of the purchases.
- No travel authorization forms were filled out as required by the City's policy.

We recommend the City:

- Maintain a written check out log detailing the authorized users of credit cards and the purpose for the use.
- Ensure that an independent reviewer sign off on all credit card payments of the City Clerk's card.
- Require all department heads to review charges to departmental cards prior to payment.
- Obtain adequate documentation to support the validity and propriety of all charges, including appropriate travel authorizations.

Status of Prior Audit Recommendations

<i>Prior Audit Findings</i>	<i>Resolved</i>	<i>Unresolved</i>
Safeguarding of Public Resources	Partially resolved	
<i>Prior Audit Management Letter Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Open Public Meetings Act	Partially resolved	
Budget compliance	Partially resolved	
Restricted revenues	Partially resolved	
<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Public Records Disclosure policy		x
Bid law compliance	x	

Concluding Remarks

We would like to thank officials and employees for their helpfulness and timely response to our audit requests. We will be sending an e-mail to Laura Kelly, Clerk-Treasurer, regarding an on-line customer service survey. This email will be from "State Auditor's Office <WA-StateAuditor@sao.wa.gov>". Please take a few minutes to complete this survey. Your feedback is important to our on-going commitment to continually develop and improve our audit process.

Your next audit is scheduled to be conducted in 2011 and will cover the following general areas:

- Accountability for Public Resources (FY 2009-2010)
- Financial Statement (FY 2010 only)
- Federal Programs (FY 2010 only)