
Washington State Auditor's Office

Exit Conference

City of Sunnyside

January 1, 2008 through December 31, 2008

January 19, 2010



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, 2008 and ending December 31, 2008:

- Accountability for public resources and compliance with laws and regulations
- Financial statements
- Federal compliance

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:

- Open Public Meetings Act
- Budget compliance
- Termination agreements
- Payroll
- Contracts and agreements
- Restricted funds
- General disbursements
- Municipal Court
- Police Department
- Credit card use

Financial Statements

We performed an audit of the financial statements in accordance with *Government Auditing Standards* to conclude whether the statements were presented fairly in all material respects. Our audit was conducted on a test basis and cannot be relied upon to identify every instance of misstatement, fraud or noncompliance in the financial statements.

As part of our audit of the financial statements, we obtained an understanding of internal controls over financial reporting. *Government Auditing Standards* also required us to test compliance with any provisions of laws, regulations, contracts and grant agreements that could materially affect financial statement amounts or data significant to the audit.

Federal Compliance

We tested compliance with material requirements for the major federal program listed below. We also tested internal controls over the major program to determine if they were adequate to detect or prevent noncompliance with material federal requirements.

- Highway Planning and Construction, CFDA 20.205

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will not include any findings. However, it will state we noted certain issues that we communicated to management.

This report is expected to be issued in approximately three weeks.

Financial Statement Reports

This report includes our opinion on the financial statements. An unqualified opinion will be issued which means the financial statements are presented fairly, in all material respects.

It also includes our report on internal control over financial reporting and on noncompliance and other matters as required by *Government Auditing Standards*. That report will not include any findings.

Single Audit Reports

This report discloses the results of our audit of the major federal program. The report will not include any findings.

These reports were issued on December 21, 2009. 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

Other Required Communications

In addition to our audit reports, we are required by professional auditing standards to communicate other significant issues to the Council as follows:

- There were no significant difficulties encountered or disagreements with entity management during the audit.
- There were no material misstatements corrected by management during the audit.
- Uncorrected misstatements in the audited financial statements are summarized on the attached schedule. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

Audit Results

Audit Recommendations

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

The following recommendations are included in the accompanying Management Letter.

1. Termination agreement

During the prior audit, we found the City approved and paid three months of additional severance in exchange for the immediate resignation of the former City Manager. We recommended the City put termination agreements in writing and maintain support for consideration made and received for termination agreements.

The City hired and then terminated another City Manager on June 2, 2009. Our audit found the City properly documented the rationale for the termination as well as the amount of severance awarded in accordance with his employment agreement. However, the City did not follow state law for removing a City Manager (RCW 35A.13.130 and RCW 35A.13.140) and had to pay two months of compensation after the termination date, which totaled \$23,508, including benefits.

We recommend the City follow state law regarding the removal of a city manager.

2. Retroactive pay increases

We reviewed payroll at the City and noted that on October 27, 2008, the City Council approved retroactive pay increases totaling \$43,454 to approximately 20 employees. The Council had previously frozen their salaries during the 2008 budgeting process. The state Constitution prohibits retroactive pay increases, specifically stating: "The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered, or the contract entered into, nor shall the compensation of any public officer be increased or diminished during his term of office."

We recommend the City comply with the State Constitution, Article 2, Section 25 in regard to extra compensation.

The following recommendations are exit items.

1. Cash and Investments

It is the State Auditor's Office policy to audit 100% of an entity's cash and investments. We performed our audit of cash and investments at the City and found the cash and investments recorded on the City's bank reconciliations was \$2,316 less than the amount reported on the financial statements. The City was not able to explain the difference.

We recommend the City implement controls to ensure that all cash and investments are reconciled, recorded and reported accurately.

2. Payroll – Leave

During our review of payroll leave reporting, we noted that the City does not have a written policy in place regarding leave. However, it is the City’s practice for employees to submit their timesheets/leave slips to their supervisor for review and approval and then to forward them to payroll for input into the payroll system. During our review of leave reporting, we found the following internal control weaknesses:

- One employee whose type of leave taken on the timesheet did not match the type of leave recorded in the payroll system.
- Five instances (for three different employees) in which their leave slips were not reviewed and signed by a supervisor.

We recommend that the City strengthen internal controls over leave reporting.

Status of Prior Audit Recommendations

<i>Prior Audit Management Letter Items</i>	<i>Resolved</i>	<i>Unresolved</i>
We recommend the City comply with state law and not spend in excess of appropriations.	X	
We recommend that the City put termination agreements in writing when granting severance packages. We also recommend that the City document and maintain support for consideration made and received for termination agreements. (see management letter #1)	X (partially)	
<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
We recommend that the City comply with state law when conducting executive sessions.	X	
We recommend the City establish and follow internal controls to ensure all money is accounted for and any shortages are adequately followed up on and explained.	X	
We recommend the City properly authorize all cash accounts by resolution.	X	
We recommend that the City strengthen controls over credit card disbursements and ensure all payments are supported by itemized receipts, are approved and have been received, and for a valid business purpose.	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 Bob Noland 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 2009 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

Summary Schedule of Uncorrected Misstatements

Statement / Schedule	Description of Misstatement	Misstatement Type (Known or Likely)
Notes to the Financial Statements	Note 6: The future payout schedule included 2008 debt. This included \$1,038,652 for General Obligation Debt and \$1,281,771 for Revenue Debt. Therefore, the future payout schedule was overstated by \$2,320,423.	Known
Notes to the Financial Statements	Note 1, Part C: The budget amendments table in the notes was overstated by \$44,630 when compared to the budget amendments per ordinances 2189, 2202, and 2208. This included \$12,780 in General Fund overstatements and \$31,850 in Sewer Fund overstatements.	Known