



Washington State Auditor's Office

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Accountability Audit Report

Town of Skykomish

King County

For the period January 1, 2013 through December 31, 2015

Published October 6, 2016

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Washington State Auditor's Office

October 6, 2016

Mayor and Town Council
Town of Skykomish
Skykomish, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Town operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Town's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, Town operations complied with applicable requirements and provided adequate safeguarding of public resources. The Town also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we noted certain matters that we communicated to Town management in a letter dated September 26, 2016, related to its controls over financial operations including: disbursements and procurement, safeguarding of public funds and assets, payroll, and timely financial reporting. We appreciate the Town's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Town of Skykomish from January 1, 2013 through December 31, 2015.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Town's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Donations
- Payroll
- Utility billing and cash receipting
- Budget compliance
- Procurement and disbursements
- Cost allocations
- Financial condition
- Conflict of interest

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Town of Skykomish
King County
January 1, 2013 through December 31, 2015**

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Town of Skykomish. The State Auditor’s Office has reviewed the status as presented by the Town.

Audit Period: January 1, 2010 through December 31, 2012	Report Ref. No: 1011076	Finding Ref. No: 1
Finding Caption: The Town does not have adequate oversight of its financial operations to safeguard public resources.		
Background: The Town did not understand a contractual relationship with a non-profit organization to operate and collect donations for a live steam railroad ran in the Town was necessary. Further, the Town was not monitoring the activity to ensure donations received were for intended purposes. The Town’s Municipal Code also required the Clerk/Treasurer to collect the donations. The Town did not effectively communicate this to Town staff.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Town has put into place a Special Use Agreement between the Town of Skykomish and Great Northern & Cascade Railway (GNCR) the non-profit organization. The agreement was introduced on March 24th 2014. The Town will provide use of the Town Center and Depot to GNCR, in trade GNCR will maintain the railroad and make improvements so the community will be able to have a safe and enjoyable ride. GNCR coordinated a list of improvements and plans to cover 5 to 10 years.</i> <i>Donations: GNCR is authorized to accept and deposit any donations made directly to GNCR or ride donations received by GNCR at the Town Center. GNCR will maintain a separate ledger of accounts for funds. GNCR will provide monthly reports to the town for revenues and expenditures to the Town Council.</i> <i>Internal Controls for Vacation Time and Sick Leave: The Town is now in the process of repairing the vacation and sick leave time to correct a long term problem that went back several years of dispersing hours to employees. This caused hours to be lost or not used at the appropriate time frame, do to our ordinance rules. In 2013, the Council did make some changes for roll over options for employees, however the process of when hours are actually</i>		

used or taken for each annual year was not clear to the Clerk/Treasurer. The Clerk/Treasurer has spoken with the Mayor and Council Members. The Town of Skykomish is actively making the corrections.

Cash Handling: The Town has actively separated duties between Clerk/Treasurer and Deputy Clerk. One clerk has responsibility at a time over the handling of cash and the cash register with a log of counting cash and change, at the end of each shift. Utility billing is done by one clerk only, thus corrections are done by the same clerk if any should be made. The Town still feels that our controls are adequate to safeguard the community funds. There is always room for improvement to better your daily process.

The financial statements are given to the Council on a quarterly basis, at the request of the Council in a report that the Council can use to review revenues and expenditures. The Town feels there is room to grow and knowledge to be had by more training with Bias Software, and future training with resources at hand for the Council as well as the new clerk.

Audit Period: January 1, 2010 through December 31, 2012	Report Ref. No: 1011076	Finding Ref. No: 2
Finding Caption: The Town does not have adequate internal controls over procurement and cannot demonstrate it received the best possible price on the Town Center project and two equipment purchases.		
Background: In 2011, the Town did not use a competitive bid process on a public works project to create a Town Center. Employees responsible for ensuring compliance with state law over public works did not fully understand state laws. Town officials felt the project could be broken into components so competitive bidding requirements would not apply. Further, the Town did not solicit competitive bids for purchases of a generator and a backhoe. The Town purchased used equipment as it believed it was the best price and was only available from one vendor. However, requirements for waiving competitive bidding were not followed.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Since the last audit, the Town of Skykomish has taken large steps toward changing how we do bid process. One example was with the CDBG Storm Drain and Sidewalk project. The Mayor is more aware of the requirements needed for our Town's projects including the small works roster. The Town now selects more than one vendor for reasonable prices for our projects. The Town will continue to maintain adequate controls through better knowledge and research as the Mayor is more involved with purchases that are being researched.</i>		

INFORMATION ABOUT THE TOWN

The Town of Skykomish was established in 1909 and currently serves a population of approximately 200 citizens. The Town encompasses approximately one square mile in King County and is administered by a mayor-council form of government. The Town is governed by a five-member, elected Council and a separately elected Mayor. The Town's five employees provide administrative, water, wastewater, garbage, and building maintenance for all Town buildings, park and landscaping maintenance, and public works services. The Town's General Fund operating expenditures were \$401,207, \$295,712, and \$374,382 for 2013, 2014 and 2015, respectfully.

Contact information related to this report	
Address:	Town of Skykomish P.O. Box 308 Skykomish, WA 98288
Contact:	Desirae Bearden, Clerk-Treasurer
Telephone:	(360) 677-2388
Website:	www.skykomish.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Town of Skykomish at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov