



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Accountability Audit Report**

**Town of Wilbur**

**Lincoln County**

**For the period January 1, 2014 through December 31, 2015**

**Published February 23, 2017**

**Report No. 1018624**





**Office of the Washington State Auditor**  
**Pat McCarthy**

February 23, 2017

Mayor and Town Council  
Town of Wilbur  
Wilbur, 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,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Audit Summary .....	4
Summary Schedule Of Prior Audit Findings .....	5
Related Reports .....	10
Information About The Town .....	11
About The State Auditor’s Office .....	12

## AUDIT SUMMARY

### Results in brief

In the 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.

### About the audit

This report contains the results of our independent accountability audit of the Town of Wilbur from January 1, 2014 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:

- Billings/receivables (utility billings)
- Cash-receipting
- Financial condition
- Open public meetings minutes
- Petty cash

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **Town of Wilbur Lincoln County January 1, 2014 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 Wilbur. The State Auditor's Office has reviewed the status as presented by the Town.

<b>Audit Period:</b> January 1, 2012 to December 31, 2013	<b>Report Ref. No.:</b> 1014063	<b>Finding Ref. No.:</b> 2013-001
<b>Finding Caption:</b> The Town does not have adequate internal controls over cash receipting and billings, placing public resources at risk of loss or misappropriation.		
<b>Background:</b> Our audit of the Town's cash receipting and billing processes revealed the following weaknesses:  <b>Cash Receipting</b> <ul style="list-style-type: none"><li>• The Town has no written cash handling policies or procedures.</li><li>• The change fund is not authorized by Town Council nor is it counted at the beginning or end of the day.</li><li>• Mail is opened by the Clerk/Treasurer, without a log in place to document all funds received in the mail.</li><li>• The Town has a manual receipt book, as well as cash receipting software; however, they do not use either consistently to record receipts. As such, the Town could not provide documentation supporting total receipts to be deposited. Further, no one performs a detailed reconciliation to ensure all receipts are, in fact, deposited; nor do they maintain documentation to support their summary reconciliation.</li><li>• The Town's accounting software does not require an individual login, and both the Clerk/Treasurer and the Assistant Clerk have access to each other's computers. As such, the Town cannot identify who posted transactions. Further, multiple individuals have access to the same cash drawer. As such, the Town may not be able to assign responsibility for a loss if one were to occur.</li></ul> <b>Billings</b> <ul style="list-style-type: none"><li>• The Clerk/Treasurer and Deputy Clerk/Treasurer can update payments, and the fee schedule</li></ul>		

in the billing software without any restrictions or review to ensure accuracy.

- Delinquent bills and shut offs are not occurring in accordance with the municipal code. Delinquent fees should occur on the 20th, and water should be shut off 10 days later (around the 30th of the month depending on the weekend). Currently delinquent notices are sent out around the 21st and water is shut off if not paid in full on the 10th of the following month.
- Documentation of when water is turned back on is not maintained to show it is turned back on in compliance with Municipal Code 13A.35.040, which states:

Whenever water service to a user has been terminated because of nonpayment of delinquent charges, the customer or user must, in addition to paying the delinquent charges in full, pay a turn-on charge before water service will be restored. The amount of the turn-on charge shall be as set from time to time by resolution of the town council.

- Adjustments are created by the Clerk/Treasurer or the Deputy Clerk/Treasurer without any restrictions when an adjustment is made or by whom. Adjustments are not reviewed daily by someone independent of the billing process to ensure adjustments made are for allowable purposes. In addition, the Town did not consistently maintain supporting documentation for adjustments made.
- The Town does not have a policy over debt write offs. Though the council reviews and approves all write offs, without a policy the Town cannot ensure all write offs are handled consistently and for allowable purposes.
- Animal licensing is not adequately monitored to ensure all payments received for licenses are deposited correctly.
- Ambulance billings are tracked on an excel spreadsheet and not reviewed by someone independent of the process to ensure payments are accurate, and any adjustments made are for allowable purposes.

**Status of Corrective Action: (check one)**

☒ Fully Corrected      ☐ Partially Corrected      ☐ Not Corrected      ☐ Finding is considered no longer valid

**Corrective Action Taken:**

**Cash Receipting**

- The Town has no written cash handling policies or procedures
- We did not have a cash handling policy. One has since been written and implemented.
- The change fund is not authorized by Town Council nor is it counted at the beginning or end of the day.

*The change fund is authorized by Miscellaneous Funds Chapter 3.32. It is counted at the beginning and end of each day.*

- *Mail is opened by the Clerk/Treasurer, without a log in place to document all funds received in the mail.*

*Mail is received by the Clerk Treasurer. The Clerk Treasurer sorts the mail and gives payments to the Deputy Clerk. The Deputy Clerk enters payments and check numbers to the appropriate account. The auditor suggested documenting the check numbers as appropriate logging and this process was implemented immediately.*

- *The Town has a manual receipt book, as well as cash receipting software; however, they do not use either consistently to record receipts. As such, the Town could not provide documentation supporting total receipts to be deposited. Further, no one performs a detailed reconciliation to ensure all receipts are, in fact, deposited; nor do they maintain documentation to support their summary reconciliation.*

*The Town does have a manual receipt book as well as cash receipting software. Both are used consistently. Triplicate receipts are written for cash transaction. One copy for the customer, one for the drawer and subsequently the deposit, and one remains in the book. Payments are entered and deposits are made by the Deputy Clerk. Documentation of deposits remains with the deposit slips and is filed. A detailed reconciliation is performed at the end of each month by the Clerk Treasurer. Documentation of reconciliation is maintained.*

- *The Town's accounting software does not require an individual login and both the Clerk Treasurer and the Assistant Clerk have access to each other's computers. As such, the Town cannot identify who posted transactions. Further, multiple individuals have access to the same cash drawer. As such, the Town may not be able to assign responsibility for a loss if one were to occur.*

*The accounting software login was changed. Both Clerk Treasurer and Deputy Clerk have individual login ids. It is now possible to identify who posted each transaction. Multiple individuals do not have access to the cash drawer. We are an office staff of two.*

### **Billings**

- *The Clerk Treasurer and Deputy Clerk can update payments and they fee schedule in the billing software without any restrictions or review to ensure accuracy.*

*Yes we can do these things. However, there are checks and balances in place regarding payments. Adjustments to the billing are made by the Deputy Clerk and verified by the Clerk. Any payment alterations will be discovered during reconciliations or when a*

customer complains. The fee schedule is changed in accordance with the ordinance. No unauthorized fee scheduled could be made and go unnoticed.

- Delinquent bills and shut offs are not occurring in accordance with the municipal code. Delinquent fees should occur on the 20<sup>th</sup> and water should be shut off 10 days later (around the 30<sup>th</sup> of the month depending on the weekend). Currently delinquent notices are sent out around the 21<sup>st</sup> and water is shut off if not paid in full by the 10<sup>th</sup> of the following month.

The municipal code was reviewed and clarifications made. Delinquent bills and shut offs are occurring precisely within the guidelines of the ordinance.

- Documentation of when water is turned back on is not maintained to show it is turned back on in compliance with Municipal Code 13A.35.040, which states, “Whenever water service to a user has been terminated because of nonpayment of delinquent charges, the customer or user must, in addition to paying the delinquent charges in full, pay a turn-on charge before water service will be restored. The amount of the turn-on charge is set from time to time by resolution of the town council”

Historically when water service has been terminated due to lack of payment services were restored upon receipt of delinquent charges and the shutoff fee. Additionally, in our software fee schedule the fee is referred to as a shut off fee. The wording has since been changed to an administrative fee. Documentation is maintained on the shut off services list as unpaid or paid in full. Additionally, payments are reflected on the individual’s registers as well as deposit reports.

- Adjustments are created by the Clerk/Treasurer or the Deputy Clerk/Treasurer without any restrictions when an adjustment is made or by whom. Adjustments are not reviewed daily by someone independent of the billing process to ensure adjustments made are for allowable purposes. In addition, the Town did not consistently maintain supporting documentation for adjustments made.

Adjustments to the billing are made by the Deputy Clerk and verified by the Clerk. Documentation for adjustments is retained, along with the supporting information for the adjustment.

- The Town does not have a policy over debt write offs. Though the council reviews and approves all write offs, without a policy the Town cannot ensure all write offs are handled consistently and for allowable purposes.

At this time we have not been able to find a policy covering debt write offs. The Town Council does approve all debt write offs.



- Animal licensing is not adequately monitored to ensure all payments received for licenses are deposited correctly.

*A spreadsheet has been made. All the animal licenses sold are entered in along with the payment made. The spreadsheet can be matched up to the deposit.*

- Ambulance billings are tracked on an excel spreadsheet and not reviewed by someone independent of the process to ensure payments are accurate, and any adjustments made are for allowable purposes.

*The Clerk/Treasurer picks up the ambulance billing run sheets, which are consecutively numbered. The Deputy Clerk/Treasurer enters it into the spreadsheet and processes the billing. When payment is received it is entered into the spreadsheet, which has a deposit slip to support it. The Clerk/Treasurer reviews the spreadsheet along with the deposits.*

## RELATED REPORTS

### Financial

Our opinion on the Town's financial statements is provided in a separate report, which includes the Town's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a significant deficiency in internal controls over financial reporting regarding fund balances, revenues, expenditures, notes to the financial statements, and the schedule of liabilities.

## INFORMATION ABOUT THE TOWN

The Town of Wilbur was incorporated in 1889 and serves approximately 900 citizens in Lincoln County. The Town provides police protection, general administration, fire prevention, street improvement, and parks and recreation. Additional services include a swimming pool, water and sewer utility, and a library.

An elected, five-member Council and an independently elected Mayor govern the Town. The Council appoints management to oversee the Town's daily operations as well as its eight regular employees. The Town's operating expenditures were \$1.2 million and \$1.1 million in 2014 and 2015, respectively.

Contact information related to this report	
Address:	Town of Wilbur 14 N.W. Division P.O. Box 214 Wilbur, WA 99185
Contact:	Jeannie Olsen, Clerk/Treasurer
Telephone:	(509) 647-5821
Website:	<a href="http://www.wilburwa.com">www.wilburwa.com</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Town of Wilbur 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>