



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

## **Accountability Audit Report**

# **City of Tenino**

**Thurston County**

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

**Published April 20, 2017**

**Report No. 1018891**





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

April 20, 2017

Mayor and City Council  
City of Tenino  
Tenino, 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 City 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 City'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

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## AUDIT SUMMARY

### Results in brief

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

However, we identified areas in which the City could make improvements.

We recommended the City establish written policies and procedures over key financial operations to ensure internal controls are adequately designed to safeguard public funds, and we recommended the Police Department update policies and implement controls for evidence, disposition of property, forfeiture reporting, citations and small and attractive assets.

These recommendations were included in our report as findings.

### About the audit

This report contains the results of our independent accountability audit of the City of Tenino from January 1, 2015 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 City'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:

- Open public meetings
- Self-insurance
- Police department
- Cost allocation
- Municipal Court
- Significant internal controls: cash receipting, disbursements, payroll and utility billing/adjustments

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **City of Tenino Thurston County January 1, 2015 through December 31, 2015**

#### **2015-001 The City does not have adequate internal controls or oversight of its financial operations to safeguard public resources.**

##### *Background*

Our audit reviewed prior audit recommendations related to cash receipting, disbursements and payroll, and we determined the City has not taken measures to address these recommendations for several years. In addition, we communicated recommendations in the previous audit for the City's cost allocation in a management letter that were not addressed. Further, during discussions with City management we determined the City has not inventoried its small and attractive assets in several years or taken measures to collect on delinquent utility accounts.

##### *Description of Condition*

The Mayor and City Council have not developed policies and procedures, or dedicated sufficient resources and training, to ensure adequate monitoring and management of the City's financial operations in the following areas:

##### **Cost allocation**

We found the City has not adopted a cost allocation plan to ensure costs allocated to restricted funds are reasonable and supported. Further, the payroll information entered for cost allocation is not independently reviewed for accuracy.

##### **Cash receipting**

We found the City lacks a written cash receipting policy and the City's current cash receipting operations do not have adequate segregation of duties. The same employee receipts cash, performs the daily cash drawer reconciliation and makes the bank deposit. Additionally, the City is not making daily deposits as required by state law (RCW 43.09.240).

### **General disbursements**

The City does not have a written policy or adequate procedures in place to ensure accounts are properly set up in the vendor payment system. All employees are able to create a vendor profile, enter invoices and print checks. There is no independent review to ensure vendor profiles and invoices are complete and accurately entered into the system.

### **Payroll**

The City does not have adequate controls to ensure salary and benefit information generates accurate employee payments. There is no independent review function in place to ensure employee salaries and benefit deductions are complete, accurate and supported. We further noted the City does not have a secondary review to ensure employee salaries are accurately calculated, but instead relies solely on the payroll software to perform accurate calculations.

### **Small and attractive assets**

The City does not have an established policy or procedure to monitor small and attractive assets. Additionally, the City has not performed an inventory of small and attractive assets for several years.

### **Delinquent utility accounts**

The City has \$80,849 in delinquent utility accounts. However, the City does not have a written policy or adequate procedures in place to pursue payment, such as placing liens on properties or sending delinquent accounts to a collection agency.

### ***Cause of Condition***

The City experienced turnover in the Clerk-Treasurer and Mayor positions, with the Clerk-Treasurer position remaining unfilled from March 2016 through May 2016. The City did not provide current staff adequate training to understand City procedures. The City has not made it a priority to establish and create formal written policies or procedures for operations in the areas noted above.

### ***Effect of Condition***

The lack of control and oversight of all key aspects of the City's finances increases the risk that misappropriation or misuse of Town resources could occur and not be detected in a timely manner.

The lack of segregation of duties, monitoring and reconciliations increases the risk that services billed and public monies collected could be misappropriated and not detected in a timely manner, if at all.

Based on the internal control deficiencies stated above, we also noted the following issues:

- Employee salaries were not charged appropriately to the restricted funds, resulting in the following:
  - In 2015, one employee's time was undercharged to the Water and Sewer funds by \$19,237 and \$8,346, respectively. Another employee's time was overcharged to the Water and Sewer funds by \$5,204 and \$6,646, respectively.
  - In 2016, one employee's time was undercharged to the Water and Sewer funds by \$17,881 and \$9,099, respectively. Another employee's time was overcharged by \$4,567 and \$4,581, respectively.
- Currently, the City has \$80,849 in delinquent utility accounts. \$656.50 is past due by 30 days, \$4,334.22 is past due by 60 days, and \$75,858.57 is past due by more than 90 days. Allowing utility accounts to become delinquent affects the City's cashflow and ability to meet its financial obligations.

### ***Recommendation***

We recommend the City establish written policies and procedures over key financial operations to ensure internal controls are adequately designed to safeguard public funds. At a minimum, the City should:

- Develop a cost allocation plan to ensure costs allocated to restricted funds are accurate and supported.
- Ensure cash duties are segregated and an independent review is performed over cash receipting functions, and ensure cash is deposited in a timely manner, as required by RCW 43.09.240.
- Establish controls to ensure that vendor profiles created, invoices entered, and checks printed from the general ledger are accurate, allowable and supported.

- Establish procedures to ensure adequate segregation of disbursement duties.
- Perform an independent review of payroll functions to ensure employee profiles and timesheet information entered into the system is complete and accurate.
- Establish a formal small and attractive asset policy and a process for identifying, tagging and tracking assets determined to be small and attractive.
- Establish controls that ensure the collection of delinquent utility accounts.

### *City's Response*

*While it would be difficult for any municipality to say that they are grateful for such findings, we are, nevertheless, grateful for the professional way the audit was conducted; for the opportunity to be able to provide this response; and, most importantly, for the opportunity to correct these deficiencies.*

*Keeping in mind that these findings are pertain to conditions as they existed in 2015, the City has also experienced a 100% turnover in Management: Mayor, Police Chief, Clerk/Treasurer, and Director of Public Works. The Mayor began his term in January of 2016 and that term began without a Police Chief. By the end of April 2016, the then-serving Clerk/Treasurer quit and the Director of Public Works retired. By May 15, 2016, these losses had been replaced. However, as the new management team began to work, other (and quite frankly, more serious) issues needed their full attention. Thankfully, those issues have largely been overcome and now the team is focused on correcting the deficiencies noted in the 2015 audit findings.*

*Response to the Finding Regarding Internal Controls or Oversight of Financial Operations:*

*1. Cost Allocation. The new Clerk/Treasurer is writing a Cost Allocation policy that addresses both allocating costs within restricted funds and with respect to allocating the costs of wages and benefits of personnel who work across fund boundaries. We expect this policy will ready for adoption by June 30, 2017.*



2. *Cash Receipting.*

*a. To the extent that a City with three administrative employees is capable of achieving the highly desirable goals of separating the receipting of funds from the depositing and/or disbursement of those funds, the Clerk/Treasurer is updating the City's existing Financial Policies to preclude, to the extent possible, any one person from being placed in the position where human frailties are subject to exploitation.*

*b. When citing statutory authority, it is often desirable to highlight any discretion authorized by the statute. RCW 43.09.240 includes such discretion:*

*The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.*

*Although not currently in writing, this fact was discussed at the time of the audit and the auditor was told that a) there is no bank within the Tenino City Limits and, therefore, it is highly impractical to perform daily deposits, but that b) funds were secured daily in the City's safe and that deposits were being (and continue to be) made at least twice a week. This exercise of discretion will be incorporated into the Financial Policies update as previously noted.*

*3. General Disbursements. When adopted, the City's updated Financial Policies will prohibit any single employee from establishing a vendor account, entering invoices, and printing checks, but rather will disburse those duties between two or more employees. The policy will also require the Clerk/Treasurer to review vendor profiles for accuracy and completeness.*

*4. Payroll. The finding cites to no statutory authority prohibiting the City from relying on its accounting software to perform payroll functions; accuracy and dependability were huge factors in selecting the accounting software actually purchased. Again, with only three employees in City Hall, it is very difficult to*

*achieve every goal, no matter how desirable. The updated Financial Policies will, however, include the requirement for the Clerk/Treasurer to review any changes (or the initial input) of employee payroll records, and a requirement for periodic “spot checking” of existing payroll information to ensure accuracy and completeness.*

*5. There is no written policy establishing controls over small and attractive assets.*

*a. As the very first step in Asset Management, the City purchased an automated asset management system in November of 2016 and is currently in process of performing a city-wide inventory to gain and maintain positive control over all City assets. This system produces identification tags that are unique for each item inventoried and these tags are being placed on all those items where such a tag is practical. The system also produces lists that may be stored electronically, or printed, or both.*

*b. Where tagging an item is not practical, the list is designed to be used by whomever has been assigned responsibility to that item, or items.*

*c. The City’s Small & Attractive (S&A) Item Management Policy is now being written to take full advantage of the features and capabilities of the automated asset management system.*

*(1) The City takes issue with the all-too-common approach of simply assigning a dollar value to delineate whether a particular item is a candidate for the S&A program. For example, removable data storage devices are not particularly expensive; however, they are highly pilferable and, over time, replacement of those devices becomes expensive. Therefore, even though they are not expensive individually, they are an item that has been identified for intensive management via inclusion in the S&A program.*

*(2) Since we must write a policy, we have chosen to delay completion of the policy until we have completed our inventory. Once we know all the assets the City has on hand, we can make an informed decision on which items to include within the S&A program. We anticipate the inventory will be completed in April of 2017, with a written policy adopted within two weeks of the conclusion of the inventory.*

6. *Delinquent Utility Accounts.* In January of 2017, the City adopted Ordinance 8XX which is a comprehensive overhaul of the City's utility billing system. The new system includes the ability to record liens against properties that are at least six months in arrears. Since adoption, the City notified 12 property owners that a utility lien would be recorded if arrangements for payment of the arrears were not made. Eight property owners have either paid all arrearages in full, or have negotiated for the payment of a lesser amount based on conditions peculiar to the particular property owner. Four such liens have been filed.

### ***Auditor's Remarks***

We appreciate the City's dedication to strengthening internal controls over financial operations. We thank the City's management and staff for their cooperation and assistance during the audit. We will follow up on these issues during the next audit.

### ***Applicable Laws and Regulations***

RCW 43.09.200 – Local government accounting – Uniform System of Accounting, states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

RCW 43.09.240 – Local government accounting—Public officers and employees – Duty to account and report—Removal from office—Deposit of collections.

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from

the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

In case a public officer or employee collects or receives funds for the account of a local government of which he or she is an officer or employee, the treasurer shall, by Friday of each week, pay to the proper officer of the local government for the account of which the collection was made or payment received, the full amount collected or received during the current week for the account of the district.

RCW 35A.33.122 – Administration, oversight, or supervision of utility – Reimbursement from utility budget authorized.

Whenever any code city apportions a percentage of the city manager's, administrator's, or supervisor's time, or the time of other management or general government staff, for administration, oversight, or supervision of a utility operated by the city, or to provide services to the utility, the utility budget may identify such services and budget for reimbursement of the city's current expense fund for the value of such services.

*Budgeting Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states:*

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.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

*Budget Accounting and Reporting System (BARS) Manual – 3.6.1.20* states in part that:

Every public officer and employee, whose duty it is to collect and receive payments should deposit receipts with the treasurer of the local government at least once every 24 hours. The treasurer of the local government may grant an exception where such daily transfers would not be administratively practical or feasible (RCW43.09.240).

*Budget Accounting and Reporting System (BARS) Manual – 3.6.1.40* states in part that:

2. Deposits may be prepared by the person who received the payment. The government should implement a system of supervisory review of the remittance list and bank deposits to ensure deposits are made intact.

4. The daily remittance list should be compared (reconciled) to daily deposit slips and to the cash receipts journal (or check register) on a regular basis. This should be performed by someone other than the employee who prepared the remittance list. Any shortage should be resolved.

5. A duplicate copy of the bank-validated deposit slip showing the composition of receipts should be retained by someone other than the employee making up the deposit.

6. The bank statement reconciliation should be performed by a person who does not have custody of or access to cash during any point in the receipting and depositing process. This reconciliation should include comparing deposits per bank to recorded receipting transactions in the general ledger.

*Budget Accounting and Reporting System (BARS) Manual 3.9.5.20 and 3.9.5.30* state:

Under state law, government officials may charge a portion of the costs for their central overhead services to restricted funds, like utility funds or special revenue funds, only to the extent that each fund benefits from those services. Utilities charge user fees based on the cost of operating the utilities, and deposit those fees into utility operating accounts. Other restricted funds have dedicated

revenue streams that can only be used for specific purposes. Governments must not allocate general government service costs, such as public safety, parks, law enforcement, community and economic development, or worker apprenticeship programs to the utilities or to other funds with restricted revenue sources that cannot pay for such charges.

RCW 43.09.210

Local government accounting- separate accounts for each fund or activity, indicates that when one fund is charging another, the fund being charged may only pay for the actual costs of the services it receives. Governments are expected to document those services and the costs of providing them to demonstrate these charges are fair, equitable and valid and reflect services provided.

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**2015-002 The Police Department does not have adequate internal controls over citations, evidence, forfeited property and the disposition of property to safeguard public resources.**

### *Background*

In our previous audit, we issued a management letter noting internal control deficiencies. We found these deficiencies still exist, as the Police Department has not addressed controls over citations, evidence, forfeited property and the disposition of property.

### *Description of Condition*

During our audit of the Police Department, we identified the following internal control deficiencies:

- There are no controls in place over the disposition of seized or forfeited property.
- Controls in place are not adequate to safeguard evidence.
- No controls are in place to ensure manual citations are safeguarded and reconciled with the Washington State Patrol's Statewide Electronic Collision & Ticket Online Records (SECTOR).
- There is no written policy establishing controls over small and attractive assets.

### *Cause of Condition*

The City was without a Police Chief for the majority of the period from March 2015 to May 2016. As a result, the Police Department had difficulty implementing the recommendations in the previous year management letter.

### *Effect of Condition*

We noted the following issues based on the control deficiencies noted above:

- The Police Department has not incinerated seized narcotics since August 2015 and is storing 17 boxes of narcotics that the case files and Records Management System (RMS) report as destroyed. Also, the Department is not performing a periodic audit of the 17 boxes to ensure the narcotics match the case files and RMS.

- Property that is illegal to return is destroyed by the Evidence Clerk, and there is no documentation of a secondary reviewer or documentation to ensure the property was destroyed.
- The Police Department does not document how it verifies ownership before releasing seized or forfeited property to an individual. As a result, the former Police Chief authorized the release of a handgun to an individual other than the registered owner. Also, the Evidence Clerk returned evidence before receiving a disposition letter from the Thurston County Prosecutor's Office authorizing the release.
- The Evidence Clerk is the only employee with access to the evidence room, and the Police Department does not conduct periodic audits to ensure the evidence reported in RMS is accurate. Also, the Clerk is the only employee logging evidence into RMS, and there is no secondary review to ensure the information is accurate and supported.
- We tested 28 items in the evidence room and noted:
  - Five items as reported as held were actually returned, based on the case file.
  - Three items were reported as destroyed, but there was no documentation to support this in the case files.
  - One piece of evidence selected for testing had been lost.
  - The Police Department has not been submitting forfeiture reports to the State Treasurer stating if it has received any proceeds from the sale of seized or forfeited property. These reports are required by state law.
  - The Police Department was unable to provide documentation that manual citations issued were monitored and reconciled to the total number of citations reported in SECTOR to ensure they are safeguarded.
  - The Police Department was unable to provide documentation that an annual audit is conducted to ensure that small and attractive assets are safeguarded. Also, during our review of the equipment room, we noted two firearms that were not properly secured in the gun safe. We also noted that an audit is not conducted to ensure the number of firearms reported on the firearm log matches the number of firearms in the safe. In addition, 15 decommissioned laptops were not monitored or secured



to ensure sensitive law enforcement data on the hard drives were safeguarded.

### ***Recommendation***

We recommend the Police Department update policies and implement controls for evidence, disposition of property, forfeiture reporting, citations, and small and attractive assets to include the following:

- Establish controls to ensure seized or forfeited property is disposed of properly.
- Establish controls to ensure evidence is safeguarded.
- Establish controls to ensure manual citations are safeguarded and reconciled with SECTOR.
- Establish controls to ensure small and attractive assets are properly recorded, periodically inventoried and safeguarded.

### ***City's Response***

*While it would be difficult for any municipality to say that they are grateful for such findings, we are, nevertheless, grateful for the professional way the audit was conducted; for the opportunity to be able to provide this response; and, most importantly, for the opportunity to correct these deficiencies.*

*Keeping in mind that these findings are pertinent to conditions as they existed in 2015, the City has also experienced a 100% turnover in Management: Mayor, Police Chief, Clerk/Treasurer, and Director of Public Works. The Mayor began his term in January of 2016 and that term began without a Police Chief. By the end of April, 2016, the then-serving Clerk/Treasurer quit and the Director of Public Works retired. By May 15, 2016, these losses had been replaced. However, as the new management team began to work, other (and quite frankly, more serious) issues needed their full attention. Thankfully, those issues have largely been overcome and now the team is focused on correcting the deficiencies noted in the 2015 audit findings.*

*Response to the Finding Regarding the Police Department:*

*1. No controls in place over the disposition of seized or forfeited property.*

*a. Property to be destroyed will have disposition letter attached to case file along with internal tracking “Blue” sheet describing disposition of destroyed item. As secondary control we will add signature block for person destroying items to verify item was properly disposed.*

*b. Property that has been reported as stolen by the owner can be returned to that owner only upon disposition of evidence from appropriate Prosecutors Office. Upon providing appropriate identification along with associated case number if cleared through prosecutor items can be released.*

*c. Weapons that have been seized and have been OK'd to be returned, the police department must conduct records check to determine if weapon is registered to person claiming weapon and also conduct records check to ensure claiming person is legally able to possess firearms prior to release of weapon.*

*2. Controls in place are not adequate to safeguard evidence.*

*a. True, the Police Clerk is only employee with access to evidence room to maintain chain of custody. We did identify this short coming and also identified in our policy that Police Chief or their designee must conduct “Spot Audit” in evidence room annually.*

*b. The police clerk is the only person to log evidence into evidence room, when an officer takes possession of seized or found property, they identify that property in the officers initial RMS report and will also create a hand written evidence sheet to accompany item. The officer then secures evidence or other property in temporary locker. The police clerk is the only employee that has access to these lockers and when processing evidence the clerk will unlock and remove evidence or property along with handwritten evidence sheet to transfer items into evidence storage. If there is a discrepancy in officers report in regards to amount, size, number etc... of evidence secured in temporary locker the police clerk will notify the Police Chief. Both the officers and police clerk's entries must match to ensure quality control, any discrepancies will be documented and investigated.*

*c. During our recent audit our police clerk was able to comply with and provide the State Auditor with all items requested. There were no items that could not be located during our recent audit, we have, with-in the last year inventoried and removed all items from the evidence room that had evidence dispositions, I cannot address lost items from previous administrations as they did not have adequate records keeping system in place.*

*d. All property is retained in our evidence room per state law, no items are returned without property disposition from appropriate Prosecutor.*

*e. All items that were disposed of at auction were inventoried and the auction company did provide itemized list and monetary recovery received at auction. All proceeds from items disposed of at auction to include itemize inventory sheet have been turned into City of Tenino Clerk Treasurer.*

*3. No controls are in place to ensure manual citations are safeguarded and reconciled with the Washington State Patrol's Statewide Electronic Collision & Ticket Online Records (SECTOR).*

*a. The Tenino Police Department did implement a sign out log for citations and infractions that are maintained by Police Clerk to track the issuance of these citations/infractions. We will also be issuing citations/infractions and logging which officer received those items and additional citations and infractions will be secured in Police Clerks file room.*

*4. There is no written policy establishing controls over small and attractive assets.*

*a. As the very first step in Asset Management, the City purchased an automated asset management system in November of 2016 and is currently in process of performing a city-wide inventory to gain and maintain positive control over all City assets. This system produces identification tags that are unique for each item inventoried and these tags are being places on all those items where such a tag is practical. The system also produces lists that may be stored electronically, or printed, or both.*

b. Where tagging an item is not practical, the list is designed to be used by whomever has been assigned responsibility to that item, or items.

c. The City's Small & Attractive (S&A) Item Management Policy is now being written to take full advantage of the features and capabilities of the automated asset management system.

(1) The City takes issue with the all-too-common approach of simply assigning a dollar value to delineate whether a particular item is a candidate for the S&A program. For example, removable data storage devices are not particularly expensive; however, they are highly pilferable and, over time, replacement of those devices becomes expensive. Therefore, even though they are not expensive individually, they are an item that has been identified for intensive management via inclusion in the S&A program.

(2) Since we must write a policy, we have chosen to delay completion of the policy until we have completed our inventory. Once we know all the assets the City has on hand, we can make an informed decision on which items to include within the S&A program. We anticipate the inventory will be completed in April of 2017, with a written policy adopted within two weeks of the conclusion of the inventory.

### ***Auditor's Remarks***

We appreciate the City's dedication to strengthening internal controls at the Police Department. We thank the City's management and staff for their cooperation and assistance during the audit. We will follow up on these issues during the next audit.

### ***Applicable Laws and Regulations***

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budget Accounting and Reporting System (BARS) Manual* – Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states:

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.

Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

RCW 46.64.010 Traffic citation-Record-Cancellation prohibited-Penalty – Citation audit, states in part:

(1) Every traffic enforcement agency in this state shall provide in appropriate form traffic citations containing notices to appear which shall be issued in books with citations in quadruplicate and meeting the requirements of this section, or issued by an electronic device capable of producing a printed copy and electronic copies of the citations. The chief administrative officer of every such traffic enforcement agency shall be responsible for the issuance of such books or electronic devices and shall maintain a record of every such book and each citation contained therein and every such electronic device issued to individual members of the traffic enforcement agency and shall require and retain a receipt for every book and electronic device so issued.

(6) Every record of traffic citations required in this section shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible.

RCW Chapter 63.32.010 Methods of disposition-Notice-Sale, retention, destruction, or trade, states in part:

Whenever any personal property shall come into the possession of the police authorities of any city in connection with the official performance of their duties and said personal property shall remain unclaimed or not taken away for a period of sixty days from date of written notice to the owner thereof, if known, which notice shall

inform the owner of the disposition which may be made of the property under this section and the time that the owner has to claim the property and in all other cases for a period of sixty days from the time said property came into the possession of the police department, unless said property has been held as evidence in any court, then, in that event, after sixty days from date when said case has been finally disposed of and said property released as evidence by order of the court, said city may:

(3) Destroy an item of personal property at the discretion of the chief of police if the chief of police determines that the following circumstances have occurred:

(a) The property has no substantial commercial value, or the probable cost of sale exceeds the value of the property;

(b) The item has been unclaimed by any person after notice procedures have been met, as prescribed in this section; and

(c) The chief of police has determined that the item is unsafe and unable to be made safe for use by any member of the general public;

(4) If the item is not unsafe or illegal to possess or sell, such item, after satisfying the notice requirements as prescribed in RCW 63.32.020, may be offered by the chief of police to bona fide dealers, in trade for law enforcement equipment, which equipment shall be treated as retained property for purpose of annual listing requirements of subsection (2) of this section; or

(5) If the item is not unsafe or illegal to possess or sell, but has been, or may be used, in the judgment of the chief of police, in a manner that is illegal, such item may be destroyed.

RCW 9.41.098 Forfeiture of firearms – Disposition – Confiscation, states in part:

(2)(b) Except as provided in (c) of this subsection, of the inventoried firearms a law enforcement agency shall destroy illegal firearms, may retain a maximum of ten percent of legal forfeited firearms for agency use, and shall either:

(i) Comply with the provisions for the auction of firearms in RCW 9.41.098 that were in effect immediately preceding May 7, 1993; or

(ii) Trade, auction, or arrange for the auction of, rifles and shotguns. In addition, the law enforcement agency shall either trade, auction, or arrange for the auction of, short firearms, or shall pay a fee of twenty-five dollars to the state treasurer for every short firearm neither auctioned nor traded, to a maximum of fifty thousand dollars. The fees shall be accompanied by an inventory, under oath, of every short firearm listed in the inventory required by (a) of this subsection, that has been neither traded nor auctioned. The state treasurer shall credit the fees to the firearms range account established in RCW 79A.25.210. All trades or auctions of firearms under this subsection shall be to licensed dealers. Proceeds of any auction less costs, including actual costs of storage and sale, shall be forwarded to the firearms range account established in RCW 79A.25.210.

RCW 10.105.010 Seizure and forfeiture, states in part:

(6) When property is forfeited under this chapter, after satisfying any court-ordered victim restitution, the seizing law enforcement agency may:

(a) Retain it for official use or upon application by any law enforcement agency of this state release such property to such agency for the exclusive use of enforcing the criminal law;

(b) Sell that which is not required to be destroyed by law and which is not harmful to the public.

(7) By January 31st of each year, each seizing agency shall remit to the state treasurer an amount equal to ten percent of the net proceeds of any property forfeited during the preceding calendar year. Money remitted shall be deposited in the state general fund.

## RELATED REPORTS

### **Financial**

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

That report includes a finding for a material weakness in internal controls over financial reporting regarding inadequate controls to ensure the financial statements were prepared accurately and complete.



## INFORMATION ABOUT THE CITY

The City of Tenino currently serves 1,530 citizens in Thurston County. The City provides a full range of services including police, Municipal Court, street maintenance and construction, parks and recreation, planning and economic development, storm water management and water services.

An elected, five-member Council and an independently elected Mayor govern the City. The Council appoints management to oversee the City's daily operations as well as its 15 employees. For fiscal year 2015, the City's general fund reported operating expenditures of \$975,563.

### Contact information related to this report

Address:	City of Tenino P.O. Box 4019 Tenino, WA 98589
Contact:	John Millard, Clerk-Treasurer
Telephone:	(360) 264-2368
Website:	<a href="http://www.cityoftenino.us">www.cityoftenino.us</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the City of Tenino 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.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>