



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

# **Accountability Audit Report**

## **Town of Springdale**

**Stevens County**

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

**Published October 19, 2017**

**Report No. 1019661**





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

October 19, 2017

Mayor and Town Council  
Town of Springdale  
Springdale, 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 .....	7
Information About The Town .....	8
About The State Auditor’s Office .....	9

## AUDIT SUMMARY

### Results in brief

In most areas we audited, the 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 most of the areas we examined.

However, we investigated certain matters that came to our attention during the audit in a separate engagement, as referenced in the Related Reports section.

### About the audit

This report contains the results of our independent accountability audit of the Town of Springdale 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:

- Cash receipting
- Payroll/personnel
- Financial condition
- Safeguarding of small and attractive assets
- Payments/expenditures

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Town of Springdale Stevens 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 Springdale. The State Auditor's Office has reviewed the status as presented by the Town.

<b>Audit Period:</b> January 1, 2011 through December 31, 2013	<b>Report Ref. No.:</b> 1013145	<b>Finding Ref. No.:</b> 2013-001
<b>Finding Caption:</b> The Town does not have internal controls over financial operations, placing public resources at risk of loss or misappropriation.		
<b>Background:</b> The Town spends approximately \$250,000 annually. Its primary sources of revenue are property taxes and water/sewer service billings. For fiscal years 2011 through 2013, we found the Town's internal controls continue to be inadequate to protect public resources. Specifically, concerns were noted in the following areas: <ul style="list-style-type: none"><li>• <u>General financial operations</u> – The Town does not maintain records to support operations and records had to be requested from the bank, granting agency or contractor for audit purposes.</li><li>• <u>Utility billings</u> – The Town does not have policies established or adequate oversight in place over utility billings, payments, timely deposits and delinquent accounts. We found errors in water and sewer utility billing rates charged to customers and errors in utility billings for water usage that resulted in overbilling customers.</li><li>• <u>Cash receipting</u> – The Town has no established policies and has no process in place to ensure all money collected is receipted and deposited. We found the Town did not reconciled recorded revenues to bank deposits for 2013 and deposits that were not recorded in the system or were recorded in the system more than once.</li><li>• <u>Payments</u> – Oversight for vendor payments is not adequate to ensure expenditures are legal, allowable or accurate, including fuel card use and employee mileage reimbursements. We identified \$50 in fuel charges for personal use that were not reimbursed and \$104 in incorrect mileage reimbursements.</li><li>• <u>Payroll</u> – The Town does not have adequate oversight over payroll to ensure timesheets are accurate, payroll transactions are calculated accurately or leave accruals are properly tracked. We found several versions of employee timesheets and most timesheets were not</li></ul>		

certified as accurate by the employee and/or supervisor. Payroll calculation errors were identified that resulted in net overpayments to employees of \$280. In addition, one employee had a leave buy out of \$657 and the 40 hours of leave paid was not deducted from the leave balance.

The above areas were included in a special investigation performed for the 2014 and 2015 audit, as referenced in the Related Reports section.

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

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

**Corrective Action Taken:**

Question: Will partnering with another Town completely satisfy ALL State audit financial oversight requirements?

• General financial operations – The Town does not maintain records to support operations and records had to be requested from the bank, granting agency or contractor for audit purposes.

Response: This issue was been resolved as of 2013, and we are sure the auditors have all the records. In addition, all records are currently on file at Town Hall from January 1, 2014, to the present time.

• Utility Billings – Town does not have policies established or adequate oversight in place over utility billings, payments, timely deposits and delinquent accounts.

Response – Town will establish and follow a policy for financial operations oversight by December 31, 2017.

• Cash receipting – Town has no established policies and no process in place to ensure all money collected is receipted and deposited.

Response – The Town will establish and follow a policy by December 31, 2017, to ensure all money collected is receipted and deposited.

• Payments – Oversight for vendor payments is not adequate.

Response – By December 31, 2017, the Town will establish adequate controls to assure vendor payments are adequate. The Town again requests guidance from the Office of the Washington State Auditor in defining exactly what “adequate controls” would accomplish this goal.

• Payroll – The Town does not have adequate oversight over payroll.

Response – The Town will institute immediate measures to correct this situation by having the Mayor or Mayor pro tem review each payroll when prepared. Problems with the current automated payroll system have been identified and steps are being taken to resolve those problems with the contracted provider. Payroll data will also be tracked manually until the situation is resolved satisfactorily.

## 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 material weakness in internal controls over financial statement report preparation and a finding related to declining financial condition.

### **Special investigations**

During the current audit period, the State Auditor's Office issued a report on a misappropriation of public funds at the Town. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE TOWN

The Town of Springdale, located in Stevens County, has a population of approximately 280 citizens. The Town employs four people that provide services including water, sewer and police services.

An elected, five member Council and a separately elected Mayor govern the Town. For fiscal years 2014 and 2015, the Town operated on revenues of approximately \$2.2 million and \$655,000, respectively.

Contact information related to this report	
Address:	Town of Springdale P.O. Box 220 Springdale, WA 99173
Contact:	Lisa Sheppard, Clerk Treasurer
Telephone:	(509) 258-7258

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Town of Springdale 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>