



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

**Whitman County Park and Recreation
District No. 5**

(Rosalia Park District No. 5)

For the period January 1, 2014 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

April 19, 2018

Board of Commissioners
Rosalia Park District No. 5
Rosalia, 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 District 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 independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. As described below, in the areas we examined, the District's operations did not comply with applicable state laws, regulations, and its own policies, or provide adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the District could make improvements.

We recommended the District improve internal controls over financial reporting, cash receipting, payroll and disbursements, public meeting minutes preparation and records retention.

These recommendations were included with our report in a separate communication as a finding.

About the audit

This report contains the results of our independent accountability audit of Rosalia Park District No. 5 from January 1, 2014 through December 31, 2016.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the District'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, based on our risk assessment for the years ended December 31, 2016, 2015 and 2014, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Monitoring and oversight of key financial operations
- Financial condition and fiscal sustainability
- Cash receipting and operating procedures at the swimming pool
- Approval, support and allowability for payroll payments, employee reimbursements and general disbursements
- Public meeting minutes preparation

- Public records retention
- Conversion to a new software system (2016)

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District did not have adequate internal controls over financial reporting, cash receipting, payroll and disbursements, and record retention to ensure compliance with state laws and safeguarding of public resources.

Background

Whitman County Park and Recreation District No. 5 operates and maintains the Town of Rosalia (Town) park and swimming pool. In 2016, the District recorded \$3,496 in pool receipts and \$109,914 in property taxes. The District's pool manager, assistant pool manager and seasonal lifeguards received payroll payments of \$24,167

The District did not file annual reports with our Office within 150 days after the close of each fiscal year as required by state law (RCW 43.09.230) for the four years from January 1, 2010, through December 31, 2013. Because the District did not provide requested information, we could not determine the adequacy of internal controls to safeguard public assets or ensure compliance with state laws and the District's own policies. Although the District is small and has limited resources, we determined an onsite audit was necessary for the period January 1, 2014, through December 31, 2016.

Citizens rely on the District to establish effective internal controls, ensure compliance with laws and policies and safeguard public resources. Our audit found the District did not have effective internal controls over financial reporting, cash receipting, payroll and the record retention.

Description of Condition

We identified the following internal control deficiencies:

General Operation

The District did not develop and maintain:

- An organized record keeping system that demonstrates compliance with record retention laws
- Practices to monitor financial sustainability
- Methods for tracking accounting activity, including cash, revenues, and expenditures, to file the required annual report

- A written agreement that outlines each participant's responsibilities for services shared between the District and the Town

Payroll and Disbursements

The District lacked proper monitoring and oversight of the disbursements process and did not ensure:

- Payroll amounts are accurate and paid to the employee who provided the services
- Employee reimbursements and general disbursements are allowable, supported and authorized
- Proper processing of credit card payments
- All expenditures and disbursements are legal and allowable, and have a public benefit

Cash Receipting

The District lacked proper monitoring and oversight of the cash receipting process and did not:

- Prepare proper records to support revenues collected
- Deposit receipts promptly
- Reconcile receipts collected to deposits

Open Public Meeting Minutes

The District:

- Could not provide meeting minutes for some meetings during our audit period
- Did not approve meeting minutes from the prior meeting at the next scheduled meeting
- Did not include a list of approved vouchers in the meeting minutes

Cause of Condition

The District is small and has limited staffing and financial resources. District Commissioners did not have a good understanding of applicable state laws and *Budgeting, Accounting and Reporting System Manual* (BARS Manual) requirements.

Effect of Condition

General Operation

- The District did not file its annual report with our Office for 2014 and 2015 as required by state law. However, the annual report for 2016 was filed within 150 days of year-end as required.
- The District could not provide evidence of a reconciliation of its accounting records to bank statement activity for any year under audit. Additionally, we were unable to obtain complete accounting records for 2014 and 2015 to perform this reconciliation.
- The District borrowed \$15,000 from the County in 2016 to have sufficient funds to sustain operations. This loan was repaid in 2016.
- The District had two months during the audit period in which its bank accounts had a deficit balance.
- The District could provide only six of 12 bank statements for 2015; however, we asked for and received the other six from the bank.
- The District recorded negative payroll clearing expenditures of \$4,293 (net), which caused payroll expenses to be understated for 2016.
- The District paid the Town \$12,561 in wages for park maintenance services without a formal agreement outlining each entity's responsibilities.

Payroll and Disbursements

- In 2016, the District paid a non-District employee \$5,334 for work performed by the employee's spouse. Additionally, the spouse did not have support for hours worked, such as a timesheet.
- In 2016, the District paid unsupported employee reimbursements of \$1,032 to one employee. Additionally, this employee was one of the two signers on the reimbursement checks.
- Some expenditures in each of the years from 2014 to 2016 lacked some or all support, as shown in the table below.

Year	Number of expenditures with no support	Amount of expenditures with no support	Number of expenditures with partial support	Amount of expenditures with partial support
2016*	10	\$3,497	9	\$13,691
2015	33	\$14,398	4	\$927
2014	1	\$579	1	\$481

* These expenditures included \$3,522 paid to the Town for unsupported park supplies and maintenance.

- The District paid overdraft fees and service charges totaling \$198 in 2015 and \$56 in 2014.

Cash Receipting

- The District did not have an adequate cash receipting policy. Additionally, the person receipting the cash at Town Hall also was responsible for depositing the money at the bank and recording the transaction in the accounting records.
- We noted a variance of \$463 when trying to agree the daily deposit slip to the bank validated deposit slip.
- Four out of seven deposits were not deposited promptly.
- Swimming pool balance sheets did not include daily user counts for general admissions in 18 out of 50 instances. We could not determine if the correct fees were charged and collected.
- Balance sheets did not include a date for two out of 50 days.
- Cash collected did not tie to the balance sheet for 31 out of 50 days, resulting in a \$586 variance.
- Preparer signatures were not present in five out of 50 days, and the balance sheets for two days were signed by a non-staff employee.
- Two out of four swim lessons were not charged or documented correctly. Swim lessons are \$25 each; however, fees collected were \$130 and \$230, which are not divisible by \$25.

Open Public Meeting Minutes

- 2016: The District did not approve minutes for one meeting, and four of the meeting minutes did not show that vouchers were approved.
- 2015: The District did not approve five meetings' minutes, and three meetings' minutes did not show that vouchers or financial information were approved.
- 2014: The District did not have four months of meeting minutes, and six of the meeting minutes retained were not approved.

Because of the conditions noted above, we were unable to determine if a misappropriation occurred.

Recommendations

We recommend the District:

- Ensure the annual financial reports are prepared and submitted promptly
- Develop written policies and procedures adequate to prevent misappropriation
- Ensure compliance with record retention schedules.
- Establish proper monitoring and oversight of the general disbursement, payroll and receipting processes
- Ensure payroll is adequately supported and the payroll payments are made only to the person who provided the services
- Prepare and retain complete support for all deposits and ensure funds are deposited promptly
- Ensure payments are adequately supported and that the supporting documentation is retained and organized to facilitate its retrieval
- Ensure Board meeting minutes are prepared, approved and retained
- Ensure meeting minutes document Board approval of all payroll and disbursements

District's Response

We now have 4 new board members and our goal is to bring the Park Board up to standard. We have taken on a new accounting system and we are aware of needing to keep better records. However, it looks like we are having to start from scratch, as we could not find any Policies or By Laws on record. We also find that we have nowhere to turn for advice as MSRC cannot help us. We have reached out to a couple of the smaller Park Boards for advice. The new Park Board wants to do everything by the book, and we will take any advice or guidance we can find.

Your recommendations will be taken seriously to improve the Rosalia Park and Recreation District #5. We are committed to work together as a team to follow all the RCW's and Policies that pertain to the Board.

Auditor's Remarks

We thank the District for its cooperation and assistance during the audit and acknowledge its commitment to improving the condition described. We will review the status of this issue during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

RCW 43.09.230 Local government accounting – Annual reports, requires every local government to prepare, certify and file their financial reports within one hundred fifty days after the close of each fiscal year.

BARS 3.1.4 Accounting principles and internal control – Original supporting documentation, requires local governments to obtain and ensure the integrity and retention of the original vouchers, receipts, and other documents to isolate and prove the validity of every transaction relating to the receipt, use and disposition of public funds or property. This requirement extends to all accounting entries.

BARS 3.1.4.30 Accounting principles and internal control – Original supporting documentation, requires local governments to establish internal controls ensuring the integrity of data supporting public transactions, which should include policies and procedures ensuring completeness, accuracy and availability of the data.

RCW 42.30.035 Open Public Meetings Act – Minutes, requires the minutes of all regular and special meetings except executive sessions of such board, commissions,

agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

BARS 3.8.5.40 Expenditures – Voucher Certification and Approval, requires indication of the governing body approval for payment of claim vouchers and payroll be entered in the minutes.

RCW 43.09.2855 Local governments – Use of credit cards, requires a local government to adopt a system for (a) the distribution of credit cards; (b) the authorization and control of the use of credit card funds; (c) the credit limits available on the credit cards; (d) payment of the bills; (e) Any other rule necessary to implement or administer the system under this section.

BARS 3.6.1 Revenues – Cash receipting, requires deposits to be made at least once every 24 hours unless the treasurer of the local government granted an exception where such daily deposits would not be administratively feasible, however, deposits shall not be made less frequently than weekly.

BARS 3.6.1.40 Revenues – Cash receipting (internal controls), required the entity to have adequate segregation of duties. The daily remittance should be reconciled to daily deposit slips and the cash receipts journal on a regular basis. Policies should contain instructions for identifying cash receipts and for dating cash receipts journal entries for that day's receipts.

INFORMATION ABOUT THE DISTRICT

Whitman County Park and Recreation District No. 5 provides maintenance and operation services to parks and recreation facilities in the Rosalia community.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for Rosalia Park District No. 5 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	
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