



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

# **Accountability Audit Report**

## **City of Bothell**

**For the period January 1, 2017 through December 31, 2017**

**Published November 21, 2018**

**Report No. 1022660**





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

November 21, 2018

Mayor and City Council  
City of Bothell  
Bothell, 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 independent audit report on the City'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,

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. In most of the areas we examined, City operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above and described in the attached finding, we identified areas in which the City could make improvements. We also noted certain matters that we communicated to City management and City Council in a letter dated November 15, 2018 related to impact fees. We appreciate the City's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the City of Bothell from January 1, 2017 through December 31, 2017.

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 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, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Financial condition and fiscal sustainability
- Self-insurance – unemployment compensation
- Open public meeting minutes
- Procurement – piggybacking
- Department of Community Development – impact fees
- Fire department – special projects committee

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2017-001 The City did not verify that purchases made through its purchasing cooperative complied with the City's adopted purchasing policy.**

#### ***Background***

In April 2010, the City passed Ordinance No. 2039, which adopted the citywide procurement policy. This policy requires purchases over \$200,000 to go through a competitive, sealed bid process. The policy further states that bid specifications should incorporate a clear and accurate description of the technical requirements for the material, product or service to be purchased and that the contract will be awarded to the lowest responsible bidder.

State law (RCW 39.34.030) allows cities to fulfill bidding requirements through a process referred to as piggybacking. "Piggybacking" refers to one local government making purchases from contracts awarded by another government or group of governments via an interlocal agreement or contract. To ensure compliance when procuring through piggybacking, the local government must ensure its own bidding requirements are met before expending public funds. The City's purchasing policy allows for the use of intergovernmental cooperative purchasing agreements; however, it specifies the City must ensure the procedure used by the agency that awarded the bid, proposal and contract complies with the purchasing policy.

#### ***Description of Condition***

In 2017, the City of Bothell approved the purchase of two fire engines totaling \$1,371,375, using an interlocal agreement with a purchasing cooperative. The City observed other public agencies use the same purchasing group and verified state law authorized the use of purchasing cooperatives.

However, the City did not ensure the procurement process used by the purchasing cooperative complied with its own purchasing policy. The purchasing cooperative selected multiple vendors using a request for proposal (RFP) process, rather than a formal, competitive bidding process in which the lowest responsible bidder would receive the award. Further, the RFP used by the cooperative solicited proposals for a broad spectrum of fire apparatus, instead of the specific purchase the City was looking to buy.

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

It is City practice that decentralized departments are responsible for managing the procurement process for equipment purchases. It is also the City's policy for the City Attorney to review all interlocal agreements. Although the City Attorney

reviewed and approved the interlocal agreement with the purchasing cooperative for the purchase of the fire engines, the review was not designed to provide assurance over the procurement method and process the cooperative used. The Fire Department was not aware that after the attorney's review it would still need to verify and maintain evidence that the lead agency's procurement method and process complied with the City's procurement policy.

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

The City cannot demonstrate it adequately safeguarded public resources by ensuring that the purchase of two fire engines complied with its own purchasing policy.

### ***Recommendation***

We recommend the City ensure that purchases made through purchasing cooperatives or other government municipalities comply with its adopted purchasing policy.

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

*The City is committed to safeguarding public resources and ensuring compliance with State law and the City's purchasing policy. The City is also committed to complying with all public bidding laws to ensure public funds are spent in a fiscally responsible manner. Unfortunately, when purchasing the two fire engines, the Fire Department was under the assumption that the cooperative agency's procurement method satisfied all procurement policies. This was an unintentional oversight of the Department, as the main purpose was to engage with the cooperative to purchase the fire trucks at the best possible price.*

*Each City department is responsible for managing their procurement process for equipment purchases, as the City does not currently have centralized purchasing. In order to ensure that future purchases made through purchasing cooperatives or other government agencies comply with all statutory requirements, the City will work with departments and staff responsible for purchasing, to fully understand the procurement requirements. This will include staff trainings and review of the City's purchasing policy.*

*The City appreciates the State Auditor's Office bringing this oversight to our attention, and in providing guidance through the State Auditor Performance Center "Using Others' Awards (Piggybacking)" dated August 2018.*

### *Auditor's Remarks*

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### *Applicable Laws and Regulations*

RCW 39.34.030 (5)(b), Joint powers – Agreements for joint or cooperative action, requisites, effect on responsibility of component agencies – Joint utilization of architectural or engineering services – Financing of joint projects, states that entering into a cooperative agreement does not relieve any public agency of its responsibility imposed upon by law.

City of Bothell *Procurement Policy*, 4.0 – Cost Threshold Requirements – Supplies, Equipment, Non-Professional Services, and Information Services.

City of Bothell *Procurement Policy*, 8.0 – Competitive Bidding Procedures.

City of Bothell *Procurement Policy*, 10.0 – Intergovernmental Cooperative Purchasing Agreements.

## RELATED REPORTS

### **Financial**

Our opinion on the City's financial statements and compliance with federal grant program requirements 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>.

### **Federal grant programs**

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the City's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.



## INFORMATION ABOUT THE CITY

The City of Bothell was incorporated in 1909 and serves approximately 44,546 citizens in King and Snohomish Counties. The City is administered by a council-manager form of government with seven elected Council Members who select one of its members to serve as Mayor. The City operates on a budget of approximately \$98 million in General Fund expenditures, biennially. The City's approximately 345 employees provides services including water, sewer, storm drain, police, Municipal Court, fire, emergency medical, parks and recreation, planning and economic development.

<b>Contact information related to this report</b>	
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*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the City of Bothell 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>	
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