



Washington State Auditor's Office

Independence • Respect • Integrity

Accountability Audit Report

City of Toledo

Lewis County

For the period January 1, 2013 through December 31, 2014

Published September 28, 2015

Report No. 1015176





Washington State Auditor's Office

September 28, 2015

Mayor and City Council
City of Toledo
Toledo, 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,

A handwritten signature in blue ink, reading "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM
ACTING 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 the areas we examined.

However, we noted certain matters that we communicated to City management in a letter dated September 23, 2015, related to cost allocation. 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 Toledo from January 1, 2013 through December 31, 2014.

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 Act
- General revenues and expenditures
- Utility billing
- Cost allocation
- Financial condition
- Cash receipting
- Payroll
- Disbursements
- Procurement

STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Toledo. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2011– December 31, 2012	Report Ref. No.: 1010905	Finding Ref. No.: 1
Finding Caption: The City's financial condition puts it at risk of not being able to meet financial obligations and maintain current service levels.		
Background: We have communicated financial condition concerns to the City in the past two audits. Although the City has taken steps to decrease expenditures by canceling planned construction and cutting back employee hours, its financial condition continues to decline. The City does not track whether restricted funds are used to cover General Fund or Municipal Capital Improvement Fund expenses when the funds go in the negative. This represents potential unauthorized inter-fund loans from the City's restricted funds. Additionally, the City did not have a cost allocation plan or documentation for charges such as payroll costs that were allocated to the restricted Water/Sewer fund. The payroll costs totaled \$68,595 in 2011 and \$77,718 in 2012.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>Employee hours in the general fund remained reduced as well as City Hall hours until fund levels recovered. Budget cuts were made to bare bones minimum to operate. Revenues and expenditures were carefully monitored and reports given to City Council monthly. A cost allocation plan documenting how payroll costs are distributed has been developed. The cost allocation plan also documents how other shared costs are distributed and tracked.</i>		

RELATED REPORTS

Financial

Our opinion on the City's financial statements and compliance with federal grant program requirements is provided in a separate report issued in September 2015, 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 Federal Summary section of the financial statement and single audit report issued in September 2015. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Toledo is centrally located between the Cascade Mountains and the Pacific Coast on the Cowlitz River in south central Lewis County.

The City serves 725 citizens and is administered by a mayor-council form of government with five elected Council Members and an independently elected Mayor. The City's annual expenditures were \$1.2 million in 2013 and \$3.6 million in 2014. Seven employees provide a full range of services including police, street maintenance and general administration services. In addition, the City owns and operates water and sewer systems.

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 the City of Toledo 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.

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