



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Colfax

Whitman County

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

Published December 21, 2017

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Office of the Washington State Auditor
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December 21, 2017

Mayor and City Council
City of Colfax
Colfax, 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 the 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.

About the audit

This report contains the results of our independent accountability audit of the City of Colfax 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.

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:

- Financial condition
- Utility billings/receivables
- Contracts/agreements
- Accounting system software conversion
- Use of credit cards

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**City of Colfax
Whitman County
January 1, 2014 through December 31, 2016**

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

Audit Period: January 1, 2011 to December 31, 2013	Report Ref. No: 1014065	Finding Ref. No: 2013-001
Finding Caption: The City does not have internal controls over financial operations, placing public resources at risk of loss or misappropriation.		
Background: The City of Colfax spends approximately \$2.5 million annually and has 20 employees. Its primary sources of revenue are property taxes and utility service billings. The Mayor and City Council appointed the Treasurer to process and oversee daily accounting and financial operations. Our audit identified the following significant internal control deficiencies:		
<ul style="list-style-type: none"> • The City lacks formal written policies to sufficiently address key financial operations, such as bank reconciliations; accounting record adjustments; payments to vendors; use of credit cards and charge accounts. • The City lacks effective oversight to ensure payments to vendors and employees are valid, supported and timely. • The City does not have adequate segregation of duties between customer billings, customer payments, and account adjustments. There is also a lack of formal policies and oversight related to fees for delinquent accounts. • The City does not adequately monitor its interlocal agreement related to McDonald Park to ensure that costs are shared between parties as documented in the agreement or determined by the Steering Committee. • The City does not have a process in place to ensure records are retained as required by records retention laws. 		

Status of Corrective Action:

- Fully Corrected Partially Corrected Not Corrected Finding is considered no longer valid

Corrective Action Taken:

A written financial policy was adopted in September of 2015 that addresses accounting record adjustments, payments to vendors, use of credit cards and charge accounts. Bank reconciliations, as of 2017, are done in the new accounting system which allows for a full bank rec that balances bank accounts to the funds.

All invoices go through the departments responsible for them, and when approved are presented to the finance director. They are checked for validity and entered into the accounting system for timely payment. They are then reviewed by the city administrator and the mayor and also by 2 members of the council finance committee.

A resolution was passed that addressed late fees and how and/or if they can be removed. Utility billing was moved to the current clerk and the main responsibility of receipting in payments is with the deputy clerk. Adjustments are either done by the finance director or approved by them.

The interlocal agreement relating to McDonald Park is being handled very differently. All expenditures and all revenues are now passing through the city. The steering committee no longer has a bank account, nor do they collect revenue or pay for supplies. This fully came about in 2017.

In 2016 the records clerk and finance director went through all the stored financial information and cleaned up records, destroyed appropriate ones per the state records retention schedule, moved all records with sensitive information such as payroll into the vault at city hall. Yearly we will be following the state records retention schedule.

RELATED REPORTS

Financial

Our opinion on the City's financial statements for the year ended December 31, 2016, is provided in a separate report, which includes the City's financial statements. That report includes a finding for significant deficiencies in internal controls over financial reporting regarding the accuracy of certain financial statement amounts. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

We also issued a report related to our engagement to audit the City's financial statements for the years ended December 31, 2015 and 2014; however, we did not express an opinion on the City's financial statements. We were not able to obtain statements supporting the City's financial activities for those years, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. That report includes a finding for a material weaknesses in internal controls over financial reporting. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Colfax is located in Whitman County and serves approximately 2,850 citizens. Its 21 employees provide an array of services including water, sewer, fire and police protection, park and recreation, and planning and economic development. The City also operates its own swimming pool.

An elected, seven-member Council and independently elected Mayor govern the City. For fiscal years 2014, 2015 and 2016, the City operated annual budgets of approximately \$3.1 million, \$3.2 million and \$3.5 million, respectively.

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 Colfax 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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov