



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
City of Quincy

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

Published December 6, 2018

Report No. 1022620





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

December 6, 2018

Mayor and City Council
City of Quincy
Quincy, 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

TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	6
Related Reports.....	9
Information about the City.....	10
About the State Auditor's Office.....	11

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 recommended City management strengthen internal controls over cash receipting at the Quincy Animal Shelter to include:

- Implementation of monitoring by City management of animal shelter cash receipting to source documentation
- Development of an inventory system that allows City management to reconcile shelter revenue to animal shelter inventory activity
- Updating existing policies and procedures to address fees for types of animals other than dogs and cats; expectations for temporary boarding or fostering; and authority or delegation for waving fees

These recommendations are included with our report as a finding.

About the audit

This report contains the results of our independent accountability audit of the City of Quincy 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:

- Utility billing – customer rate calculation
- Cash receipting – City pool and animal shelter
- Payroll – overtime and gross wages
- Employee appreciation activities

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The City had inadequate controls over cash receipting at its animal shelter.

Background

The City provides a variety of municipal services and collects revenues over the counter at various locations, including the Quincy Animal Shelter. The animal shelter's purpose is to board and re-home unwanted animals brought in by owners, citizens, police, and transfers from other shelters. Animals leave the shelter by adoption, foster programs, return to owners and transfer to other shelters.

In 2017, the animal shelter generated revenue of about \$28,500. City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance that public resources are safeguarded, including those of the animal shelter.

Description of Condition

The City's controls over cash receipting at the Quincy Animal Shelter were not sufficient to protect resources from misappropriation. We tested all receipts from January 1, 2017, through June 30, 2018, and reviewed internal controls over cash receipts at the animal shelter. We identified the following deficiencies:

- City management did not monitor animal shelter operations to confirm all deposits were complete, supported and consistent with animal activity records.
- Existing rate schedules did not identify fees for types of animals other than dogs and cats.
- The City did not have policies, procedures or rate schedules to address the handling of temporary boarding or fostering of animals, nor did policies address overcrowding at the shelter.
- The former Quincy Animal Shelter Manager waived fees without authority from City management.

Cause of Condition

The City did not dedicate the necessary resources to adequately monitor de-centralized locations and safeguard receipted revenue.

Effect of Condition

The lack of internal controls and transaction monitoring increases the risk that the City's resources could be misappropriated or misused without being detected promptly, if at all.

Loss of public funds

We found that the former Quincy Animal Shelter Manager misappropriated \$100 by misrepresenting funds collected from a customer as payment for their personal adoption of a dog. In addition, animal shelter records from January 1, 2017, to June 30, 2018, identified other potentially missing cash receipts of about \$5,400. The City did not have adequate supporting documentation to determine if potentially missing cash receipts were due to waived fees or if a loss of funds had occurred.

Recommendations

We recommend City management strengthen internal controls over cash receipting at the Quincy Animal Shelter to include:

- Implementation of monitoring by City management of animal shelter cash receipting to source documentation
- Development of an inventory system that allows City management to reconcile shelter revenue to animal shelter inventory activity
- Updating existing policies and procedures to address fees for types of animals other than dogs and cats; expectations for temporary boarding or fostering; and authority or delegation for waving fees

City's Response

The City of Quincy acknowledges the need to adequately monitor de-centralized point of sale locations to safeguard the assets and to protect our employees. That is why we have a Cash Receipting Policy in place for all City staff to follow outlining requirements for Point of Sale (POS) locations. When transactions are made and de-centralized POS locations, the Finance Department staff log the receipts on a spreadsheet and monitor the receipt number sequence for any discrepancies. The City currently has five (5) POS locations around the City. The City strives to hire employees that display integrity and honesty at all times to ensure the public's assets are protected.

The Police Department Animal Shelter is the newest POS location and has had recent turn over in both middle and upper management. The Shelter Manager was appointed to the position in January 2017 and continued to do it the way it was

previously run, not understanding that they did not have the authority to make the decisions they were making. Prior to the audit, the shelter purchased a software that allowed them to track the animals, intake to discharge. The Shelter was already looking at better tracking of the animals they received at their facility.

In response to the State Auditor's Office audit, the decision was made to terminate the identified employee due to the nature of the incident. The Police Chief updated the rate resolution and policy on animal adoption fee reductions and impound fees. The Finance Department is working with the Animal Shelter to review existing procedures and make internal control recommendations. To address segregation of duties, the Animal Shelter Manager will ideally not take and receipt money but be responsible for balance and audit of the daily deposit prior to deposit in the bank drop box. The Manager will ensure that all receipts are completely and correctly filled out by the employee to minimize misrepresentation of a transaction.

In addition, the Finance Department will work closely with new employee's that handle monetary transactions at ALL locations to ensure they are properly trained for the correct process for their location and periodically monitor for compliance.

At the Chief's request, cash is no longer accepted at the animal shelter. Checks and credit/debit cards are accepted and, with the use of the aforementioned software, tracking of each transaction is much clearer.

With an updated policy, the shelter no longer boards animals for short or long term. In addition, the animal shelter will not accept any animals other than dogs or cats.

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 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.

The *Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

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 Quincy serves approximately 7,000 citizens in Grant County. The City provides an array of services including streets, water, sewer, police protection, parks and recreation.

An elected, seven-member Council and an independently elected Mayor govern the City. The Council appoints management to oversee the City's daily operations as well as approximately 60 employees. For fiscal year 2017, the City had operating revenues of approximately \$30.4 million.

Contact information related to this report	
Address:	City of Quincy P.O. Box 338 Quincy, WA 98848
Contact:	Nancy Schanze, Finance Officer/Clerk
Telephone:	(509) 787-3523 ext. 205
Website:	quincywashington.us

Information current as of report publish date.

Audit history

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