



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

# **Accountability Audit Report**

## **City of Monroe**

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

**Published December 31, 2018**

**Report No. 1022782**





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

December 31, 2018

Mayor and City Council  
City of Monroe  
Monroe, 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, we noted certain matters that we communicated to City management and Mayor and City Council in a letter dated December 11, 2018, related to procurement for purchases. 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 Monroe 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:

- Procurement – piggybacking contracts for purchases
- Use of restricted funds including hotel-motel tax revenue, park impact fees, building and land use permit fees, real estate excise taxes, and drug seizure funds
- Cash-receipting in City Hall, the Police Department and the Courthouse
- Self-insurance – unemployment compensation
- Financial condition and fiscal sustainability



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Monroe January 1, 2017 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> 2016	<b>Report Ref. No.:</b> 1019829	<b>Finding Ref. No.:</b> 2016-001
<b>Finding Caption:</b> The City did not have adequate controls to ensure compliance with federal requirements regarding allowable costs, cost principles, cash management and reporting requirements.		
<b>Background:</b> The City reported federal expenditures totaling \$1,442,950 in fiscal year 2016 for the Woods Creek Road shared sidewalk project funded by the Highway Planning and Construction program. Our audit found the City has an established process to identify eligible and allowable costs by maintaining a spreadsheet to track expenditures charged to the grant, which is also used to prepare the reimbursement request. However, the staff responsible for preparing the reimbursement request inadvertently used the wrong cell in the tracking spreadsheet to input program costs, which resulted in requesting reimbursement for costs that had already been reimbursed, and the review process did not identify the error. The City's established control process identified the error after the reimbursement was submitted to the grantor, and the City contacted the granting agency and repaid the excess funds received.		
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The City of Monroe contacted the granting agency and refunded the overpayment upon immediate identification of the overpayment. As an isolated error, the City does not anticipate this type of error occurring again. The appropriate staff was made aware of the circumstances which led to the error and the City has strengthened its review processes to insure this will not occur in the future.</i>		

## RELATED REPORTS

### **Financial**

Our opinion on the City's financial statements 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>.

## INFORMATION ABOUT THE CITY

The City of Monroe, incorporated in 1902, is located 32 miles northeast of Seattle in Snohomish County. The City serves 18,120 residents by providing an array of services including: public safety, planning and zoning, park maintenance, street maintenance, water, sewer, solid waste, recycling, storm drain facilities and general governmental services.

An elected, seven-member Council with a separately elected Mayor governs the City. The Mayor appoints management to oversee the City's daily operations as well as its 113 employees. For fiscal year 2017, the City's total operating expenditures were \$27,097,168.

### 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 Monroe 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>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
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