



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
City of Mountlake Terrace

For the period January 1, 2016 through December 31, 2017

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

April 4, 2019

Council
City of Mountlake Terrace
Mountlake Terrace, 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 those selected areas, City operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the City of Mountlake Terrace from January 1, 2016 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 years ended December 31, 2017 and 2016, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Self-insurance: unemployment compensation
- Controls over key software application
- Payroll: tested retroactive pay, incentive payments and leave accruals for accuracy, adequate support and compliance with policy
- Credit cards: tested transactions for adequate support, valid public benefit and compliance with policy
- Procurement: compliance with competitive bid law for public works project
- Procurement: compliance with prevailing wage requirement
- Procurement: compliance with architectural and engineering solicitation
- Cash receipting: cash handling controls at Mountlake Terrace Recreation Pavilion and tested receipts for timely deposits and compliance with policy

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>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding the City's controls over financial statement preparation.

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

With an estimated population of 21,290, the City of Mountlake Terrace covers about four square miles in Snohomish County. Incorporated on November 29, 1954, the City is a non-charter code city with a council-manager form of government. Residents elect seven at-large councilmembers to staggered four-year terms. The Council elects the mayor from its members. It also appoints a city manager to run the City's day-to-day operations.

In 2017 and 2016, the City spent \$29 and \$28 million on primary government activities respectively. The City runs its general city administration, police, animal control, building inspection, planning and zoning, public works, parks and recreation, water, sewer and surface water services. The City contracts with other local governments to provide its judicial, jail, fire, and emergency medical services. It uses a private company to provide garbage and recycling services.

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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 Mountlake Terrace 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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