



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

**Accountability Audit Report**  
**City of Bellingham**

**For the period January 1, 2018 through December 31, 2018**

**Published August 22, 2019**

**Report No. 1024374**





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

August 22, 2019

Mayor and City Council  
City of Bellingham  
Bellingham, 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 Bellingham from January 1, 2018 through December 31, 2018.

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, 2018, 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 for liability, automotive, vision, worker's compensation and unemployment
- Budget compliance
- Golf course operations – contract compliance and controls over receipting, inventory and theft sensitive assets
- Accounts receivable – utility billing, adjustments and tax collections
- Finance department receipting – timeliness and completeness of deposits, voids and adjustments
- Accounts payable – general disbursements, electronic fund transfers and employee reimbursements
- Payroll – gross wages, leave balances and accruals, and leave cash outs
- IT security policies, procedures, practices and controls protecting financial systems: IT related policies, backup and recovery, network security and user access
- Procurement – cooperative purchases
- Open public meetings – documentation of minutes and executive sessions

## 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 Bellingham encompasses approximately 30 square miles of Whatcom County and serves approximately 88,500 citizens. The City provides an array of services for the City including water, sewer, police, Municipal Court, fire, emergency medical, parks and recreation, library, museum, cemetery, golf course, public improvements, planning and economic development. The City contracts out solid waste collection and disposal.

An elected, seven-member Council and a separately elected Mayor govern the City. The Mayor appoints senior management to oversee the City's daily operations as well as its 905 budgeted employees. In fiscal year 2018, the City had operating general fund expenditures of \$106.1 million.

### 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 Bellingham 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	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
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