



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## City of Stevenson

For the period January 1, 2021 through December 31, 2022

*Published October 12, 2023*

Report No. 1033444



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

October 12, 2023

Mayor and City Council  
City of Stevenson  
Stevenson, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the City could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the City of Stevenson from January 1, 2021 through December 31, 2022.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Procurement – public works, purchases, purchasing exemptions, and professional services
- Accounts receivable – utility billing and adjustments
- Accounts payable – general disbursements and credit cards
- Self-insurance for unemployment
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### City of Stevenson January 1, 2021 through December 31, 2022

#### **2022-001 The City lacked adequate controls for ensuring compliance with state procurement laws related to responsible bidder criteria.**

##### *Background*

City management is responsible for designing, implementing and maintaining internal controls that ensure compliance with state laws. Missing or inadequate controls inhibit the City's ability to comply with state laws. Procurement laws are intended to promote openness in government and prevent fraud, collusion and favoritism when awarding public contracts.

State law requires local governments to perform responsible bidder checks before awarding a contract for a public works project and procured purchases. These checks are designed to confirm whether contractors are properly licensed and registered with the state, have liability insurance, pay workers' compensation to the state, pay prevailing wages, and are not prohibited from working on state contracts.

##### *Description of Condition*

The Legislature added a responsible bidder requirement to state law effective July 2017, which requires governments to confirm bidders complied with wage payment laws. In addition, governments must obtain a signed statement from the bidder certifying its compliance with the responsible bidder criteria in state law.

Our audit found the City did not ensure it updated its policies and procedures to include the additional requirement when conducting responsible bidder checks for contracts related to its public works projects and purchases procured through formal, sealed bids.

##### *Cause of Condition*

City officials were not aware of the changes to state responsible bidder requirements. Specifically, officials did not know the City needed to obtain sworn statements from contractors certifying that they have not violated labor laws in the last three years.

## ***Effect of Condition***

Since the City did not verify that bidders were in compliance with labor laws—and did not obtain signed certifications from them—it cannot ensure the three public works and two purchase contracts entered into during the audit period, totaling \$12,939,971, were awarded to responsible bidders.

## ***Recommendation***

We recommend the City comply with state laws regarding competitive bidding by ensuring all contractors meet responsible bidder requirements before awarding a contract, and obtain signed statements that the bidders did not violate wage payment laws in the last three years.

## ***City's Response***

*The City concurs with the Auditor's recommendations and is modifying procedures to obtain all necessary documentation required by state law for all contracts.*

*The City is diligent in performing numerous responsible bidder checks prior to awarding contracts for public works projects and going forward will adhere to all criteria identified within RCW 39.04.350. In this instance, the two contractors completed additional paperwork as required by multiple funding agencies for these projects and the city verified suspension and debarment. After projects are completed, and prior to retainage release, contractors are assessed for compliance with prevailing wage standards through Labor and Industries.*

*The City asserts its efforts provide reasonable assurance that contractors awarded public works contracts between 2017 and 2022 are; properly licensed and registered with the state, had liability insurance, paid workers' compensation to the state, paid prevailing wages, and were not prohibited from working on state contracts.*

## ***Auditor's Remarks***

We appreciate the City's response and commitment to resolving this finding. We thank it 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 39.04 – Public works

RCW 35.23.352 – Public works – Contracts – Bids – Small works roster –  
Purchasing requirements, recycled or reused materials or products.

RCW 39.04.350 – Bidder responsibility criteria – Sworn statement –  
Supplemental criteria.

## 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 Stevenson was incorporated on December 2, 1907, and currently serves approximately 1,550 citizens in Skamania County. The City provides services including Municipal Court, fire protection, law enforcement, water and sewer utilities, storm drainage, parks and recreation, planning and economic development, building inspection services and general administrative services.

An elected, Mayor and five-member Council govern the City. The Council appoints the City Administrator to oversee the City's daily operations as well as its 11 full-time and one part-time employees. For 2021 and 2022, the City operated on budgets of \$7,643,733 and \$17,377,591, respectively.

<b>Contact information related to this report</b>	
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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 Stevenson at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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