



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Vancouver

For the period January 1, 2023 through December 31, 2023

Published October 17, 2024

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

October 17, 2024

City Council
City of Vancouver
Vancouver, 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

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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 Vancouver from January 1, 2023 through December 31, 2023.

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 year ended December 31, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Parks and Recreation Department – cash receipting, including timeliness and completeness of deposits, voids, adjustments, and refunds; billing for program registration, membership fees, and facility rentals at Firstenburg and Marshall Community Centers; and monitoring of Tennis Center activities
- Police Department – seizure and forfeiture, use and tracking of confidential funds, citation reconciliations, small and attractive assets, and SWAT billings
- Accounts payable – general disbursements, credit cards, and travel expenditures

- Payroll – gross wages, overtime, incentive payments, benefit deductions, leave balances and accruals, and leave cashouts
- Accounts receivable – cash receipting, billings, adjustments, and collections for utilities
- Procurement – public works, purchases, and professional services
- Compliance with public work projects – prevailing wages and retainage requirements
- Use of restricted funds – Affordable and Supportive sales tax, public safety sales tax, hotel/motel taxes, building permit funds
- Compliance with interfund loan requirements
- Internal charges – self-insurance health benefit premium billings
- Cash receipting – timeliness and completeness of deposits, voids and adjustments at City Hall
- Cemetery – billing and cash receipting, including timeliness and completeness of deposits, voids, and adjustments
- Accounts receivable – billing and exemptions for business license permit fees
- Multi-family tax exemption program – compliance with eligibility requirements
- 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 Vancouver January 1, 2023 through December 31, 2023

2023-001 The City lacked proper oversight for the tracking and disposition of small and attractive assets in the Police Department.

Background

The City of Vancouver Police Department provides law enforcement services to about 200,000 Clark County residents. The Police Chief oversees the Department, which consists of an east and west precinct and a variety of specialty units.

The Department maintains small and attractive assets such as firearms, tactical and safety equipment, cameras, cell phones, radios and body cameras. The City is responsible for establishing adequate internal controls for monitoring, tracking and safeguarding these assets.

Description of Condition

While the Department has processes to manage small and attractive assets, it does not have adequate controls to ensure it accounts for assets. We audited the Department's asset tracking and identified the following concerns. The Department:

- Uses three different systems, which the training and logistical units oversee, to track assets. The Department does not reconcile these systems to ensure the listings are complete and accurate.
- Lacks segregation of duties. The employees responsible for updating asset information in the tracking systems have access to the assets. There is no independent review of changes to the asset listings to ensure the information is complete, accurate and supported when the Departments purchases or disposes assets.
- Does not have a process to ensure someone who does not have custody of the assets conducts regular inventories
- Did not include sufficient detail in asset listings to support disposals. Additionally, the Department did not retain other supporting documentation to evidence the disposals.

Additionally, in 2022, the Department identified six firearms, including four handguns and two rifles, were missing. While the Department attempted to locate the missing items, its lack of documentation hindered its efforts. As of our audit, these items are still not accounted for.

Cause of Condition

The Department management said they do not have adequate staff to effectively segregate duties. Additionally, Department staff did not know they needed to retain disposal documentation or that their practices were insufficient.

Effect of Condition

Without adequate segregation of duties and independent review of asset listing changes, there is an increased risk for potential error, misuse and misappropriation. Also, without someone independent of the asset tracking system performing or overseeing regular physical inventories, the Department cannot guarantee the integrity of the small and attractive asset listings. There is an increased risk that the Department would not identify assets missing from the listing promptly, if at all.

Because the Department did not retain documentation to support firearms it marked as disposed in the tracking system, we were unable to test that disposals of firearms were supported and valid.

Additionally, our testing identified inconsistencies with the asset listings including serial numbers and asset locations and were unable to locate one officer badge.

Recommendation

We recommend the Department strengthen internal controls to ensure it adequately safeguards small and attractive assets. Specifically, we recommend the Department:

- Implement a policy and/or procedure that establishes internal controls over the Department's small and attractive asset tracking, ensuring independent monitoring of the asset listings
- Adequately segregate duties or establish compensating controls to increase operations oversight
- Perform and document an independent periodic inventory of all small and attractive assets

- Ensure it promptly and accurately updates asset listings when it purchases or disposes of assets, or other changes occur
- Retain documentation to support asset disposal and ensure it independently reviews all disposals
- Inquire with the Washington State Patrol regarding the reporting of missing firearms

City's Response

We appreciate the Office of the Washington State Auditor for their help in identifying opportunities for improvement in our internal controls. We were previously aware of some inconsistencies in our practices and were in process of cleaning up errors in our system which included the unaccounted-for weapons. At that time of our discovery of the issue there were seven unaccounted for firearms.

The system used for tracking firearms was comingled with tracking firearms for other agencies as well as privately owned weapons. Our investigations have led us to confirm two of the seven were properly disposed of and have updated our records although the support for one of the firearms was not received prior to the State Auditor's completing their testing and is included in the six guns they reference in their report.

After running an ATF trace three of the other five weapons appear to have been incorrectly assigned to Vancouver Police Department as we can find no record of VPD having purchased these weapons and their serial numbers are inconsistent with any other batch of firearms purchased by the City. Our investigation led us to some evidence to believe that two were firearms of another agency and one a privately owned weapon.

We are still in the process of trying to obtain confirmation for these three weapons and we are continuing to investigate the remaining two which we confirmed were purchased by VPD. Through this process we learned that our tracking system will not retain the name of the officer assigned a weapon after they have separated from the department for seven years which is causing a problem trying to investigate these weapons.

In addition to investigating the unaccounted-for weapons, the City has been taking prompt action to address the underlying cause. Specifically, we are in the process of migrating our firearm assets into a more robust inventory management system that will not comingle assets with those not belonging to the Vancouver Police Department. We began drafting a small and attractive asset policy last year and

will continue to finalize this document after getting input from other departments that also need such a policy. As part of implementing the small and attractive asset policy we will update our control process and segregate duties as much as possible. Compensating controls will be implemented where duties cannot be segregated.

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

Chapter 3.3.11.50 of the *Budgeting, Accounting, and Reporting System* (BARS) Manual, Small and Attractive Assets

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, and requires the system to exhibit true accounts showing the receipt, use and disposition of all public property

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>.

Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the separate performance audit report, Growth Management Act: County and city compliance with the state's 120-day permitting requirement which is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Vancouver is a first class city located in Clark County and is the fourth largest city in the state. The City provides a variety of services including police and fire protection, parks and recreation facilities and activities, economic development, social services, transportation, water, sewer and solid waste services.

An elected, six-member Council and independently elected Mayor govern the City. The Council appoints a manager to oversee the City's daily operations. For the 2023-2024 biennium, the City is operating on a budget of \$2.0 billion including operating and capital.

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 Vancouver 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. 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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