



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Mesa

For the period January 1, 2021 through December 31, 2023

Published May 6, 2025

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

May 6, 2025

Mayor and City Council
City of Mesa
Mesa, 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. This report highlights significant risks presented by the City's lack of appropriate financial safeguards. The risks we identified have been realized, as the City experienced a financial loss, detailed in the separate fraud report.

We appreciate your cooperation during this audit, which includes recommendations to prevent further losses. I strongly encourage you to follow those recommendations and to take advantage of informational resources available to help you improve your financial oversight, which will allow you to better serve your community and to earn public trust.

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 did not comply, in all material respects, with applicable state laws, regulations, or its own policies. Additionally, the City did not provide adequate controls over safeguarding of public resources in most of the areas we examined.

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

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

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 Mesa from January 1, 2021 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 years ended December 31, 2023, 2022 and 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. In addition, as part of this audit we followed up on the special investigation report issued December 23, 2023, over disbursements. We examined the following areas during this audit period:

- Accounts payable – general disbursements
- Annual report filing – timeliness and completeness
- Accounts receivable – timeliness and completeness of deposits and utility billing adjustments
- 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 Mesa January 1, 2021 through December 31, 2023

2023-001 The City did not have adequate controls over monitoring operations and financial activities to ensure the safeguarding of public resources and compliance with state law.

Background

The City Council, Mayor and City management are responsible for establishing internal controls that provide reasonable assurance the City is safeguarding public resources and to ensure compliance with state law and its own policies. Management is also responsible for the integrity and retention of the original receipts, invoices and other documents needed to support the validity of every financial transaction. This requirement extends to all accounting entries.

An elected, three-member City Council and separately elected Mayor govern the City, which had total expenditures of \$488,580, \$475,170 and \$621,920 in fiscal years 2021, 2022 and 2023, respectively. The City also had revenues totaling \$643,740, \$779,920 and \$682,630 in fiscal years 2021, 2022 and 2023, respectively.

The City employs a Clerk-Treasurer to oversee and manage daily operations, including cash handling, accounts payable and receivable, payroll, the reconciliation of all City financial accounts, and financial reporting to the Council.

Description of Condition

Our audit found the City lacked effective internal controls for ensuring it safeguarded public funds and complied with state law. We identified the following issues with the City's controls over accounts payable, cash receipting and utility billing adjustments.

Accounts payable

The City lacked internal controls for ensuring it obtained documentation to support the validity of disbursements. Our audit of purchases found inadequate support for check payments totaling \$109,007. Further, the Clerk-Treasurer made purchases totaling \$66,579 using electronic fund transfers and a debit card that were not adequately supported. The City also incurred \$1,436 in fees due to late payroll tax payments.

Cash receipting

The City lacked internal controls for ensuring it deposited all amounts it was due in its accounts daily, as required, if at all. The City also did not ensure staff performed periodic, accurate reconciliations between accounting records and bank records, including cash receipts and utility billing adjustments.

Additionally, our audit of cash receipts for utility payments found the City did not retain daily deposit records showing the amounts the City receipted and deposited. Further, the City was unable to demonstrate that it billed customer utility accounts accurately and credited payments to the correct accounts because it had insufficient records.

Utility billing adjustments

The City lacked internal controls for ensuring all utility billing adjustments were supported. Our audit found utility billing adjustments of \$2,040 and \$9,090 in 2022 and 2023, respectively, that lacked support.

Cause of Condition

The City's Clerk-Treasurer position turned over five times between 2021 and 2023. The turnover made it difficult for the City to ensure new staff received proper training to effectively monitor financial activities.

The Council did not adequately oversee and review disbursements to ensure expenditures were supported, allowable and approved, or to ensure public resources were adequately monitored to safeguard against misappropriation.

Effect of Condition

During our audit, we identified a potential loss of public funds that the City reported to the Franklin County Sheriff's Office. We reviewed and agreed with the investigation by the Sheriff's Office; however we performed additional procedures and identified an additional loss of public funds from disbursements, as noted under the Related Reports – Special Investigations section of this report.

Inadequate internal controls over the City's activities and a lack of proper oversight resulted in a \$12,659 misappropriation of public funds and \$9,913 in questionable transactions over the course of nine months that the Council and Mayor did not detect.

Due to lack of records, we were unable to determine if the City deposited all amounts it receipted to its accounts and if all adjustments were supported and for a legitimate purpose.

Recommendation

We strongly recommend the City develop and implement internal controls over all essential financial functions to ensure oversight and monitoring to safeguard public resources. At a minimum, the City should:

- Ensure someone independent of the payment processes performs a secondary review of all City bank statements to ensure payments are supported and are legitimate expenditures of the City
- Ensure it makes daily deposits and retains records of the deposits
- Complete monthly bank reconciliations in a timely manner for Council's review
- Develop and implement policies and procedures over the City's essential financial functions including vendor disbursements, bank reconciliations, cash receipting and utility billing adjustments

City's Response

For at least the last 5 years, the city has had lots of turnovers. On the City Council, and City Clerks. The clerks hired had no idea what they were doing. There was not a lot of training or oversight. The annual reports as you know have not been filed since 2021. I will be working on these to the best of my ability; however, I am not sure how accurate the data in vision will be. We have lost a lot of data. The lawyer is working to get all our documents back. The city of Mesa has switched vendors and are now using Springbrook. The system is much better to work with and the staff way more helpful. I am hoping they will provide me with as many tools as possible while filing reports. The amount of fraud that has taken place in the last few years is unbelievable. The Insurance claim has been filed with AWC.

I have taken the time to set up a finance committee which oversees daily operations. On a monthly basis. We meet prior to the council meeting. I will be working with Springbrook to simplify daily operations. Due to not having access to all the programming in vision there are a lot of things that never got done. They were unwilling to help with broken links and reporting, there was no access to daily recons, and lots of other reports were not mentioned. We are now even further behind. I will be working diligently to update the records for 2024 to complete the annual reporting. We are not going to be ready by the end May.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200, Local government accounting – Uniform system of accounting

RCW 43.09.240, Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections

RCW 42.24.080, Municipal corporations and political subdivisions – Claims against for contractual purposes – Auditing and payment – Forms – Authentication and certification

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3.30, states in part, “The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3.3, Internal Control

Budgeting, Accounting and Reporting System (BARS) Manual, 3.8.5, Voucher Certification and Approval

Budgeting, Accounting and Reporting System (BARS) Manual, 3.8.8, Imprest, Petty Cash and Other Revolving Funds

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Mesa

January 1, 2021 through December 31, 2023

2023-002 The City's governing officials and management did not follow state laws for the Open Public Meetings Act and annual report filing when performing required government functions.

Description of Condition

The City Council, Mayor and city management did not follow state laws when performing essential functions. We identified the following concerns with the City's compliance with the Open Public Meetings Act (OPMA) and requirements for annual report filing.

Open public meetings

The City did not ensure it met OPMA requirements. The OPMA (RCW 42.30) requires minutes of all regular and special meetings to be promptly recorded and open to public inspection, because people rely on the meeting information to make informed decisions. State law also requires the governing body's presiding officer to announce the purpose for excluding the public from an executive session.

Our audit found the City does not post agendas or meeting minutes online, and its meeting minutes lacked a significant record of business conducted during open public meetings. Meeting minutes were not available for 20 meetings between January 1, 2021, and December 31, 2023, and the City held one executive session without reference to an allowable reason per state law. By not posting meeting minutes timely for public inspection, the City did not meet the intent of the OPMA. When the City does not keep meeting minutes, it has no official record of what business the Council conducted. This limits transparency and the public's access to information about the City's business discussions and official decisions.

Annual reporting

Federal and state agencies, the City Council, Mayor, and the public rely on the information included in financial reports to make decisions. The City is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance its financial reporting is reliable. State law (RCW 43.09.230) requires the City to submit an annual financial report to the State Auditor's Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules. The City has not submitted annual reports since 2019.

Cause of Condition

City leadership and management experienced significant turnover during this period and did not have an adequate understanding of state laws, including those that require open public meetings and filing annual reports with the State Auditor's Office.

Effect of Condition

The Council's disregard for state laws and the resulting lack of transparency limits the public's knowledge and understanding of City business. The Council's insufficient knowledge of state laws it must follow hinders its ability to implement controls and policies to help ensure it follows those laws.

Filing late annual reports prevents the public and other interested parties from obtaining timely financial information about the City. Delays also limit public transparency and the State Auditor Office's efforts to compile statistical and financial information that the Legislature and other parties use.

Recommendation

We recommend the City:

- Improve documentation of meetings and post agendas and minutes online to ensure it informs the public of the Council's actions when spending funds, as state law requires
- Improve documentation of executive sessions in meeting minutes to ensure it conducts sessions for allowable purposes per state law
- Establish internal controls to ensure accurate, complete and on-time financial reporting in accordance with state law

City's Response

We currently post meeting agendas at the city hall and the USPS for public to review. We do not have a city website. Minutes are typed up within a few days of the city council meeting. We are still working on getting the internal controls and financial reporting completed in a timely manner. In 2024 The City of Mesa changed operating systems. We have switched from Vision software to Springbrook.

Shortly after switching systems, we have been denied access to our reports and documents in vision. Without any notification. I called Vision to update the server as there are documents and reports that we need to access to complete the annual reporting. They have returned partial documents but will not give full access since we didn't renew our contract with them. A good portion of the Vision system was never set up for use.

When inquiries were made, they simply told us, no one had ever used certain areas of documentation and reporting. Many of the reports were completely unusable. And they gave no indication that the system would be updated to meet the City's needs. The balancing section of the program was not ever set up. So monthly reconciliations did not happen. I do have access to the balancing section in Springbrook. The reconciliations will be balanced and up to date for last year. Still working on reconciliations for last year.

When Vision transferred the City's data to Springbrook, they only transferred in the current year. I am not sure how the city will be able to report for previous years. There is no data in the system to support the city's finances and no paper trail. The ones that do exist are incomplete and inaccurate.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We encourage the City to ensure all data is maintained through system conversions. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

RCW 42.30, Open Public Meetings Act.

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

Budgeting, Accounting and Reporting System (BARS Manual) 3.1.3, Internal Controls

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Mesa

January 1, 2021 through December 31, 2023

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

Audit Period: January 1, 2018 through December 31, 2020	Report Ref. No.: 1030973	Finding Ref. No.: 2020-001
Finding Caption: The City lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions.		
Background: State law (RCW 43.09.230) requires the City to submit an annual financial report to the State Auditor's Office within 150 days after the end of the fiscal year. The annual report includes financial statements, supporting schedules and notes to the financial statements. The City filed its 2018 and 2019 annual reports 12 and 50 days late, respectively. Additionally, the City has not filed its 2020 annual report.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>We are still working on getting the internal controls and financial reporting completed in a timely manner. In 2024 The City of Mesa changed operating systems. We have switched from Vision software to Springbrook. Shortly after switching systems, we have been denied access to our reports and documents in vision. Without any notification. I called Vision to update the server as there are documents and reports that we need to access to complete the annual reporting. They have returned partial documents but will not give full access since we didn't renew our contract with them. A good portion of the Vision system was never set up for use. When inquiries were made, they simply told us, no one had ever used certain areas of documentation and reporting. Many of the reports were completely unusable. And they gave no indication that the system would be updated to meet the City's needs. The balancing section of the program was not ever set up. So monthly reconciliations did not happen. I do have access to the balancing section in Springbrook. The reconciliations will be balanced and up to date for last year. Still working on reconciliations for last year.</i> <i>When Vision transferred the City's data to Springbrook, they only transferred in the current year. I am not sure how the city will be able to report for previous years. There is no data in the system to support the city's finances and no paper trail. The ones that do exist are incomplete and inaccurate.</i>		

RELATED REPORTS

Special investigations

We issued a report on a fraud investigation report on activities at the City. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Mesa serves about 715 residents in Franklin County. The City is governed by a mayor-council form of government with three elected Council Members and a separately elected Mayor. Two full-time and two part-time employees provide services including water, sewer, parks, streets, and planning for economic development for the City.

Franklin County Fire Protection District No. 1 and Franklin County Public Hospital District No. 1 provide fire and emergency services through volunteers. The City contracts for law enforcement as well as solid waste collection and disposal services. Library services are provided by the Mid-Columbia Library District. The City's revenues and expenditures were \$643,736 and \$488,579 for 2021, \$779,918 and \$475,171 for 2022 and \$682,633 and \$621,922 for 2023.

Contact information related to this report

Contact:	Dodie Phillips, Clerk/Treasurer
Telephone:	(509) 265-4253

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Mesa at <https://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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