

Washington State Auditor's Office
Accountability Audit Report

City of Prescott
Walla Walla County

Report Date
December 4, 2006

Report No. 71996

Issue Date
January 19, 2007



Washington _____
State Auditor

Brian Sonntag



**Washington State Auditor
Brian Sonntag**

January 19, 2007

Mayor and City Council
City of Prescott
Prescott, Washington

Report on Accountability for Public Resources

Please find attached our report on the City of Prescott's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Walla Walla County
December 4, 2006**

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Audit Summary

**City of Prescott
Walla Walla County
December 4, 2006**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the City of Prescott.

We performed audit procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also examined City management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2004, through December 31, 2005.

RESULTS

The City complied with state laws and regulations and its own policies and procedures in the areas we examined. We noted certain issues that we communicated to City management. We appreciate the City's commitment to resolving the issue.

CLOSING REMARKS

We thank City officials and personnel for their assistance and cooperation during the audit.

Description of the City

City of Prescott Walla Walla County December 4, 2006

ABOUT THE CITY OF PRESCOTT

The City of Prescott was incorporated on February 23, 1903, and operates under a mayor-council form of government with five elected Council Members and an elected Mayor. The City serves approximately 325 citizens and is located in the northern portion of Walla Walla County. The economy is largely agriculturally based. The City operates on an annual budget of approximately \$160,000 to provide two primary services: water and streets. It also operates a cemetery and employs two part-time staff.

AUDIT HISTORY

The City is audited on a two-year cycle. We issued no findings in the current audit; however, we followed up on a previous issue from the 2003-04 audit. There were no findings in the 2001-02 audit.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
City Council:

Ted Cook
Jim Ruffcorn
Matt Tunell
Steve Heimbigner
Chris Scudder

APPOINTED OFFICIALS

Clerk-Treasurer

Jill Borup

ADDRESS

City

108 S. D Street
Prescott, WA 99348

Audit Areas Examined

City of Prescott Walla Walla County December 4, 2006

In keeping with general auditing practices, we do not examine every portion of the City of Prescott's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the City's accountability in the following areas:

- Utility billings and account receivables
- Cash receipting and revenues
- Payroll
- Cash disbursements
- Purchase of goods and services

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Timely deposit of public funds
- Budgeting requirements
- Ethics/conflict of interest laws
- Contracts and agreements
- Open Public Meetings Act
- Travel expenses and reimbursements

Status of Prior Audit Findings

City of Prescott Walla Walla County December 4, 2006

The status of findings contained in the prior years' audit reports of the City of Prescott is provided below:

1. The City has inadequate internal controls over bank accounts.

Report No. 68089, dated March 11, 2005

Background

The City had one checking account and four investment accounts totaling more than \$300,000 at the end of both 2002 and 2003. In the prior audit, we noted the following conditions related to the City's bank accounts:

- The City did not reconcile investment amounts recorded in the books to the amounts reported by the investment institutions.
- The City did not prepare monthly bank statement reconciliations.
- The City's cash and investments balances reported on its financial statements were not consistently stated throughout the annual report.

The lack of preparation of bank reconciliations was identified as the cause of all these conditions.

Status

We found that reconciliations for the year 2004 had not been prepared. However, this finding was not communicated until early 2005. We found bank reconciliations for 2005. As of 2005, the prior audit finding appears to be corrected.