

**Washington State Auditor's Office**  
**Accountability Audit Report**

---

**City of Oakville**  
**Grays Harbor County**

Report Date  
**March 9, 2007**

**Report No. 72428**

Issue Date  
**April 6, 2007**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

April 6, 2007

Mayor and City Council  
City of Oakville  
Oakville, Washington

***Report on Accountability for Public Resources***

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

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

# Table of Contents

**City of Oakville  
Grays Harbor County  
March 9, 2007**

Audit Summary.....	1
Description of the City .....	2
Audit Areas Examined.....	3
Schedule of Audit Findings .....	4

# Audit Summary

**City of Oakville  
Grays Harbor County  
March 9, 2007**

## ***ABOUT THE AUDIT***

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

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, 2006, through December 31, 2006.

## ***RESULTS***

In most areas we examined, the City complied with state laws and regulations and its own policies and procedures. However, we identified one condition significant enough to report as a finding:

- The City does not have adequate internal controls and monitoring in place to ensure accountability over public funds.

## ***CLOSING REMARKS***

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

# Description of the City

## City of Oakville Grays Harbor County March 9, 2007

### ***ABOUT THE CITY***

The City of Oakville serves approximately 750 citizens in Grays Harbor County. It is administered by a mayor-council form of government with five elected Council Members and an independently elected Mayor. The City operated on an annual budget of \$489,869 for all funds in 2006. Its three employees provide an array of services including public safety, municipal court, cemetery, water support treatment and distribution, street infrastructure and maintenance, and general administrative services.

### ***AUDIT HISTORY***

Generally, we audit the City every two years. However, due to increased concerns with City financial activities, we performed an annual audit this year. The 2002-03 audit included two findings regarding inadequate controls over municipal court operations and inadequate controls over financial transactions. The previous audit was free of findings.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Mayor	John Ruymann (appointed February 2006)
City Council:	Mitchell Smith
	Cheri Lynn Harris
	Charles Norskog
	Ryan Graham (appointed February 2006)
	Lisa Swartz (resigned September 2006)
	Richard Hawkins (appointed November 2006)

### ***APPOINTED OFFICIALS***

City Attorney	Dan Glenn
---------------	-----------

### ***ADDRESS***

City	P.O. Box D Oakville, WA 98568 (360) 273-8916
------	--

# Audit Areas Examined

## City of Oakville Grays Harbor County March 9, 2007

In keeping with general auditing practices, we do not examine every portion of the City of Oakville'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:

- Cash receipting and depositing
- General disbursements and credit card use
- Payroll
- Municipal Court

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

- Open Public Meetings Act

# Schedule of Audit Findings

## City of Oakville Grays Harbor County March 9, 2007

### 1. The City of Oakville does not have adequate internal controls and monitoring in place to ensure accountability over public funds.

#### Description of Condition

During our audit, we reviewed internal controls over various City financial activities. Several concerns were identified.

#### Cash Receipting and Depositing

The City provides water services to the citizens of Oakville. A majority of receipted funds are for the water utility with a few miscellaneous receipted funds from issuance of building permits, pet licenses and copy fees. We performed testing to determine whether funds were properly receipted, deposited and posted during 2006. The following was identified:

- Receipts were not deposited in a timely manner or intact.
- During 2006, less cash was deposited in the bank than was receipted. This amount totaled \$13,729.55 and indicates a loss of public funds. Also, \$11,055.35 more in checks were deposited than was receipted which indicates improper cash handling, but does not represent a loss.
- In January 2007, revenue had not been posted in the general ledger for over 60 days resulting in incomplete financial records.
- The former Clerk-Treasurer was responsible for depositing and posting all funds. There was no independent review of her work.

The City also has a Drug Buy Fund which was used by the former Police Department. During the prior audit, we recommended the City reconcile the fund and deposit the remaining cash into the City's account. It was determined that \$926.36 could not be accounted for. There is no fixed responsibility for this loss.

#### General Disbursements

The City maintains a Staples credit account. During our review, we identified \$2,710 in purchases which did not appear to have a valid public purpose. In addition, we identified a \$300 purchase to Dell computers for laptop memory. The memory purchased was not compatible with City owned computer equipment. Account statements were not reviewed by management to ensure purchases were valid. There is no fixed responsibility for these purchases.

#### Court

The City's Municipal Court is authorized a \$50 change fund. Only \$8 of this fund could be accounted for at the time of the audit. There is no fixed responsibility for this loss.

In addition, testing was performed to determine whether court revenue was properly receipted and deposited. We identified the following:

- Beginning in June 2006, receipts were not deposited in a timely manner or intact. We noted one instance where funds were deposited at least 35 days after they were received.
- In January 2007, funds received in December 2006 had not been receipted nor deposited. Because receipts were not available, we could not determine how much money the City should have on hand.
- The former Clerk-Treasurer was responsible for receipting and depositing all Court funds. There was no independent review of her work.

## **Cause of Condition**

The former Clerk-Treasurer performed incompatible duties. There was no independent monitoring of her work.

## **Effect of Condition**

The City is unable to ensure that all revenues received were deposited into the City's bank account. Also, it cannot ensure that payments made to vendors were for valid City purposes. Without adequate internal controls, City resources could be misappropriated, lost or misused without being detected in a timely manner, if at all.

## **Recommendation**

We recommend the City establish and maintain internal controls and perform monitoring over all of its financial activities to ensure accountability of public funds.

## **City's Response**

*As to the primary issue of accountability for public resources, the elected officials fully recognize their duty in that area. As is recognized by all, the staffing level in small cities such as Oakville increases the difficulty in accomplishing the normal separation of tasks in such areas as receipting and depositing. However the City has taken steps in that area. These steps include the following:*

### *A. General:*

*As you are aware, the former Clerk-treasurer has resigned and is currently awaiting trial in the Grays Harbor Superior Court on charges arising from her actions. The City has chosen a new clerk-treasurer. One of her first assignments will be to attend a multi-day class being offered in eastern Washington so as to familiarize her with the duties and the systems in place.*

### *B. The Clerk-treasurer's Office:*

*1. The Council has designated members to serve on an Audit Committee. It will be tasked with reviewing in detail the requests for payment submitted at each meeting of the Council. That will include reviewing the invoices attached to the requests to assure, to the extent reasonably possible, that purchases shown are consistent with the municipal activities.*

*2. It is anticipated that the new Clerk-treasurer will be providing quarterly reports to the Mayor and Council as to the status of the budget. That will include both receipts and*



expenditures. It is my understanding that a continuing review will be present as to the currency of posting and such matters.

Of course, as is true with all small municipalities and the complexity of municipal accounting, the assurance of timely and correct posting of moneys, whether receipts, deposits, or expenditures, will be challenging. If there are any suggestions your office might make as to checks which could be utilized by the elected officials, they would be appreciated.

3. No credit cards in the name of the City are being maintained.

4. Drug buy fund: Apparently your staff member did not have the opportunity to contact former Chief George Crumb about the protocols. In discussing this situation with him, he indicated only one person had the combination to the safe during his period of service with the City. That was Ms. Dickinson. His indication was, when he left the service of Oakville and returned to serve as McCleary's chief, he requested a joint review of the funds then in that safe. That was done. It is his memory there was something in the vicinity of \$1,000.00 in the safe at that time. However, he noted to me that the actual figure would be shown on a document initialed by both Ms. Dickinson and himself.

C. The Court:

1. Judge Imler has appointed a new individual to serve in the position of Court Clerk. Judge Imler and Ms. Kay Gueller, who also serves as the Court Administrator for the City of Montesano, have implemented a number of steps to improve accountability. The following is the text of a message from Ms. Gueller.

"The court has made arrangements to move the court clerk's office back to the upstairs where it was previously located. We have contacted AOC, which will be helping us with moving the equipment. We have made time payment envelopes for defendants to leave their payments in the night drop. The court clerk will sign for monies taken by the city by initially the receipt journal when the monies are turned over to the court, JIS receipts will then be given to the city to attach to the receipt journal, to ensure that the monies were posted. This will take place every Friday and then deposited at the bank the same day. The court will also make regular deposits at the bank. We are requesting a small safe or locking money box for the court monies to be kept separate from the city.

The judge will review all end of the month audit reports and initial all activities for that month on the first Friday of the following month. The check register will be balanced both in JIS and the city will reconcile the court's bank account every month. The city clerk will verify that the money in JIS and the bank are in balance every month also.

The judge will direct the city staff to report any discrepancies to him immediately and will be speaking with the city staff every other Friday when he is there for court. The judge and I have discussed checks and balances, and are incorporating all the necessary procedures to ensure that the system is run efficiently."

### **Auditor's Remarks**

We appreciate the City's cooperation and assistance during the course of the audit. We will review the City's corrective action during our next audit.

### **Applicable Laws and Regulations**

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every