
Washington State Auditor's Office

Exit Conference



City of Bainbridge Island

January 1, 2005 through December 31, 2005

February 20th, 2007

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City of Bainbridge Island

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Audit Scope

This audit covered the period beginning January 1, 2005 and ending December 31, 2005.

Audit Coverage

Our audit was planned and conducted using a risk-based approach in these general areas:

- Accountability for public resources
- Compliance with state laws and regulations and City policies
- Financial statements
- Federal compliance

We did not examine every portion of the City's financial activities during the audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse of public resources.

Accountability for Public Resources/Legal Compliance

We evaluated the City's accountability and compliance with certain state laws and regulations and its own policies in the following areas:

- Cash receipting and revenues
- Petty cash/change funds
- Payroll
- Expenditures
- Contracts and agreements
- Competitive bid laws
- Budgeting requirements
- Insurance
- Utility billings and accounts receivable
- Building permits
- Municipal court
- Police department evidence room
- Open Public Meetings Act
- Conflict of interest

Financial Statements

The State Auditor's Office performs an audit of the City's financial statements as required by state law (RCW 43.09.310). The audit emphasis is to determine that the amounts reported on the financial statements are timely, accurate, and complete in all material aspects. Professional audit standards and federal regulations require that we plan and perform the audit to obtain reasonable assurance about whether material fraud, noncompliance, and financial statement misstatements occurred. We audit on a test basis and our audit cannot be relied on to identify every instance of fraud, noncompliance or misstatement to the financial statements. We examined the City's balances and financial activity related to:

- Cash and investments
- Receivables
- Capital assets
- Accounts payable
- Revenues
- Expenditures
- Due to other governments
- Long-term debt
- Going concern
- Journal entries
- Subsequent events
- Overall presentation of the financial statements

Audit Reports

Accountability Reports

We will issue the City's report showing the results of our accountability audit. This report summarizes the results of the accountability audit for January 1, 2005 through December 31, 2005.

Independent Auditor's Financial Statement Opinion

Our opinion on the City's Financial Statements is included in this report. We found the City's financial statements were stated fairly in accordance with generally accepted accounting principles. An unqualified opinion will be issued.

Audit Recommendations

We are pleased to report no findings or management letter items. We will review the status of exit items in our next audit.

Status of Prior Audit Recommendations
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<u>Prior Audit Issues</u>	<u>Resolved</u>	<u>Unresolved</u>
1. <i>Adjustments made by Municipal Court Judge</i>	X	
2. <i>Cash receipt controls at City Hall front desk</i>		X

Future Audit Considerations

Your next audit is scheduled to be conducted in 2007 and will include the following audit categories:

- Accountability for Public Resources
- Legal Compliance
- Federal Single Audit
- Financial Statement



Exit Items

City of Bainbridge Island
Port Orchard
Audit Period Ending: 12/31/2005

EX.1- Utility Adjustments

Reporting Level(s): Exit Item
Type: Accountability
Category:
Prepared By: (None),
Reviewed By: BJT, 11/13/2006

Exception:

During our audit of utility adjustments we noted that review and approval of adjustments was not documented by an appropriate City employee. We recommend that all adjustments be reviewed and documented by a knowledgeable supervisor.

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Exit Items

City of Bainbridge Island
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Audit Period Ending: 12/31/2005

EX.4- Payments to Community Service Groups

Reporting Level(s): Exit Item
Type: Accountability
Category: Gift of Public Funds
Prepared By: BJT, 1/8/2007
Reviewed By: (None),

Exception:

During our audit we noted that the City made payments to a number of community service organizations that included in part the following:

Bainbridge Island Boys & Girls Club

West Sound Wildlife Shelter

Bainbridge Island Downtown Association

Bainbridge Island Historical Society & Museum

We noted that the City had a contract with each of the above organizations for various services. However, the contract did not detail the authority under which the City may have a contractual relationship with the community service organizations.

Recommendation

The City should establish and document the authority under which the City may have a contractual or transactional relationship with various community service organizations.



Exit Items

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EX.6- Council Appreciation

Reporting Level(s): Exit Item
Type: Accountability
Category:
Prepared By: BJT, 12/20/2006
Reviewed By: (None),

Exception:

At the end of the City Council's meeting on December 14th, 2005, the council invited the public to join the mayor, city council, and city staff to the San Carlos Restaurant immediately following the council meeting. This subsequent event was to show appreciation to the city council for the work they had performed during the year. The City paid for the meal expenses which totaled \$521.25.

We recommend that if the City wants to continue to show appreciation to the City council in this way that they pass a policy stating that they will do this on an annual basis & that they properly advertise this event like any other City Council meeting in order to meet the requirements of the Open Public Meetings Act.



Exit Items

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EX.7- Deletion and Updating of Evidence Records

Reporting Level(s): Exit Item
Type: Accountability
Category: Inventory Issues
Prepared By: (None),
Reviewed By: BJT, 1/16/2007

Exception:

In the previous audit we noted the following issues related to the Police Department's evidence database:

The PMI Evidence Tracker database allows for records of evidence to be deleted. This would allow the misappropriation of evidence by an unscrupulous evidence custodian to go undetected by allowing the evidence custodian to delete the record, destroy the evidence voucher, and remove the evidence from the evidence room. While the related case files still contain documentation of evidence collected, they are not likely to be used to control such activity as the process is too burdensome. Additionally, once the related case has been adjudicated or dismissed and the evidence has no evidentiary value there is unlikely to be any interest in the evidence or the case file.

In addition, the PMI Evidence Tracker database was not being updated with all changes of custody of the evidence, to include the final disposition of evidence. Since we noted that some of the changes of custody were also not documented on the evidence vouchers, this precludes the Police Department from establishing a complete chain of custody for its evidence, thereby placing the credibility of the department's evidence handling at risk.

We repeat our recommendation the City take steps to address the two weaknesses noted above.



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Audit Period Ending: 12/31/2005



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