

Washington State Auditor's Office
Accountability Audit Report

City of Bainbridge Island
Kitsap County

Report Date
January 23, 2007

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Washington _____
State Auditor

Brian Sonntag

Mission Statement

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

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**Washington State Auditor
Brian Sonntag**

March 2, 2007

Mayor and City Council
City of Bainbridge Island
Bainbridge Island, Washington

Report on Accountability for Public Resources

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

In addition to this work, we also audit the City's financial statements. The results of that audit will be included in a separately issued audit report.

Sincerely,

**BRIAN SONNTAG, CGFM
STATE AUDITOR**

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Kitsap County
January 23, 2007

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Audit Summary

**City of Bainbridge Island
Kitsap County
January 23, 2007**

ABOUT THE AUDIT

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

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, 2005, through December 31, 2005.

RESULTS

The City complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets.

RELATED REPORTS

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements.

CLOSING REMARKS

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

Description of the City

City of Bainbridge Island Kitsap County January 23, 2007

ABOUT THE CITY

The City of Bainbridge Island serves approximately 21,760 citizens in Kitsap County. It is administered by a mayor-council form of government with seven elected Council Members and an independently elected Mayor. During 2005, the City operated on a \$39 million budget. Its 130 full-time employees provide an array of services including water, sewer and storm drainage, Municipal Court, street maintenance, parks, community service programs, and planning and economic development. The City contracts for fire protection, jail services and emergency medical services. A private company provides solid waste collection.

AUDIT HISTORY

The City had no findings during the past three audits. During the 2002 audit, we noted that the City lacked adequate controls over timely and accurate financial statement reporting. However, during the 2003 audit we noted the City established procedures to improve its operations and established needed internal controls. We believe this reflects the City's desire and commitment to maintain a strong financial system.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
City Council:

Darlene Kordonowy
Bill Knobloch
Christine Nasser Rolfes
Deborah Vancil
Deborah Vann
Nezam Tooloee
Jim Llewellyn
Bob Scales

APPOINTED OFFICIALS

City Administrator
Finance Director

Mary Jo Briggs
Elray Konkel

ADDRESS

City

280 Madison Avenue N.
Bainbridge Island, WA 98110
(206) 780-8668
(206) 842-5741 (fax)

Audit Areas Examined

City of Bainbridge Island Kitsap County January 23, 2007

In keeping with general auditing practices, we do not examine every portion of the City of Bainbridge Island'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
- Petty cash, change and revolving accounts
- Billings and account receivables
- Cash receipting and revenues
- Payroll
- Police Department
- Municipal Court
- Building permits
- Electronic fund transfers
- Cash disbursements
- Purchase of goods and services
- Purchasing and accounts payable
- Expenditures, vouchers and credit cards
- Voucher/purchase system
- Financial statement preparation and journal entries

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

- Deposit and investment of public funds
- Required financial schedules
- Ethics/conflict of interest laws
- Open Public Meetings Act
- Permit issuance
- Inter-fund transactions
- Risk management
- One fund benefiting at the expense of another
- Allowable expenditures
- Competitive bidding requirements
- Contracts and agreements
- Citation accountability
- Budgeting requirements

FINANCIAL AREAS

Our opinion on the City's financial statements is provided in a separate report. That report includes the City's financial statements and other required financial information. We examined the financial activity and balances of the City including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements

ABOUT THE STATE AUDITOR'S OFFICE



The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office has 300 employees who are located around the state to deliver our services effectively and efficiently. Approximately 65 percent of our staff are certified public accountants or hold other certifications and advanced degrees.

Our regular audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. We also perform fraud and whistleblower investigations. In addition, we have the authority to conduct performance audits of state agencies and local governments.

The results of our audits are widely distributed through a variety of reports, which are available on our Web site. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive program to coordinate audit efficiency and to ensure high-quality audits.

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Director of Administration
Director of Audit
Director of Performance Audit
Director of Operations
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Communications Program Manager
Public Records Officer
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