
Washington State Auditor's Office

Exit Conference

City of Langley

January 1, 2009 through October 31, 2010

February 15, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Audit Information

Audit Scope

Our audit was planned and conducted using a risk-based approach covering the following general areas from January 1, 2009 through October 31, 2010:

- Accountability for public resources and compliance with laws and regulations

In keeping with general auditing practices, we did not examine every transaction, activity or area. Instead, our procedures focused on identifying and examining those transactions, activities or areas that posed the highest risk.

Accountability for Public Resources and Legal Compliance

We evaluated accountability for public resources and compliance with certain laws and regulations in the following areas:

- Contracts and agreements
- Compensation of elected officials
- Hotel and Motel Tax disbursements
- Open Public Meetings Act
- Whistleblower policy
- Citizen advisory committees
- Records retention

Audit Results

Audit Recommendations

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

Status of Prior Audit Recommendations

<i>Prior Audit Management Letter Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Oversight for payroll and vendor warrants*		
<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Annual bond reporting	X	
Utility adjustments*		
January utility billing rates	X	
Professional service contract	X	
Travel and procurement card expenditures	X	
Financial activity review	X	

*Due to higher risks being identified in the current audit, we were unable to follow up on this recommendation. We will do so in our next audit of the City.

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will include ~~one~~ **no** finding.

This report is expected to be issued approximately three weeks after the exit conference and will be published on our website and distributed via e-mail in an electronic .pdf file. However, a printed copy of the audit report may be requested at any time by contacting your Audit Manager.

We also offer a free subscription service that allows you to be notified by email when audit reports are released or posted to our Web site. You can sign up for this convenient service on our website at:

www.sao.wa.gov/EN/News/Subscriptions

Concluding Remarks

We would like to thank officials and employees for their helpfulness and timely response to our audit requests. We will be sending an e-mail to Debbie Mahler regarding an on-line customer service survey. This email will be from "State Auditor's Office <WA-StateAuditor@sao.wa.gov>". Please take a few minutes to complete this survey. Your feedback is important to our on-going commitment to continually develop and improve our audit process.

Your next audit is scheduled to be conducted in 2011 and will cover the following general areas:

- Financial Statement

If expenditures of federal awards are \$500,000 or more in any fiscal year, please notify our Office so we can schedule your audit to meet federal single audit requirements. Federal awards can include grants, loans, and non-cash assistance such as equipment and supplies.



**Washington State Auditor
Brian Sonntag**

February 15, 2011

Mayor and City Council
City of Langley
Langley, Washington

Management Letter

In planning and performing our accountability audit of the City of Langley from January 1, 2009 through October 31, 2010, we noted some areas in which the City's internal controls could be improved. While these items are not significant enough at this time to include in our report, we believe our recommendations will assist you in improving the City's internal controls and compliance with state laws and local policies.

We will review the status of these comments during our next audit. We have already discussed these comments and made suggestions for improvements to City staff. If you have any further questions, please contact Casey Dwyer at (425) 257-2137.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Casey Dwyer, Audit Manager

Attachment



Management Letter
City of Langley
January 1, 2009 through October 31, 2010

Contract Review and Monitoring of the City's Building Official

The City paid a contractor \$75,600 during 2009 and \$22,540 during the first three months of 2010 to perform the responsibilities of the City's Building Official and to provide computer and technical support for the City's network and online services. The contract was terminated on March 31, 2010 and the contractor was hired as a part-time City employee.

We gained an understanding of the City's process for reviewing invoices related to this contract. We noted the City did not perform adequate review of these invoices to ensure it received the services being paid for or that it paid for allowable expenses.

We reviewed three out of the 15 payments made to the contractor from January 1, 2010~~09~~ through March 31, 2010. We noted the following unsupported payments:

- The City paid registration fees for two conferences in 2009. The contractor billed the City for time spent at the conferences. The contract did not include conference fees as an allowable expense. The total cost of the conference reimbursement and registration fees was \$1,560.
- On 12 occasions, the contractor billed the City for work performed on permit numbers that did not exist. The total cost was \$780.
- On four occasions, the contractor billed the City for work related to permits that had not yet been issued. The total cost was \$240.

As the City's Building Official, the contractor was responsible for calculating fees associated with each permit. However, the City did not monitor this process or retain documents to support how permit fees were calculated. We noted that three of the six permit files we reviewed did not have adequate documentation to support how the City determined the value of the construction project and how the fees were calculated.

We recommend the City improve its procedures for reviewing contract expenditures, to ensure that payments are valid expenses of the City. In addition, we recommend the City ensure that it adequately monitored contractors and that permit files contain adequate documentation supporting how the fees were calculated.

Unauthorized board action

In November 2008, the City Council passed an ordinance that increased the Mayor's annual salary from \$21,000 to \$31,000, effective September 2008. The ordinance further stated that beginning January 1, 2009; the Mayor was to receive a salary and medical and dental benefits equal to the established salary and benefits table of other City department heads. At the time, the base salary for City department heads was \$51,513. The ordinance also stated the Mayor would be "deemed an employee."

The City Council has the authority to change the Mayor's position from part-time to full-time and increase the Mayor's compensation and benefits. However, the ordinance stated that the Mayor would be "deemed an employee" of the City. The Council does not have the authority under state law to make the Mayor an employee because the Mayor is an elected official. City management stated its intent was not to make the Mayor an employee. In September 2010, the City passed a revised ordinance removing the reference to the Mayor being an employee.

In addition, we received concerns from citizens about the Mayor taking more vacation leave than he had earned. State law does not require elected officials to track leave balances.

We recommend the City improve its process for reviewing and approving ordinances to ensure the underlying intent of the actions taken by the Council are clearly written.

Restricted revenues

The City used hotel/motel taxes for unallowable purposes. State law requires cities to use hotel/motel taxes solely to paying for tourism promotion, acquisition of tourism-related facilities or operation of tourism-related facilities. The City spent approximately \$102,000 in hotel/motel tax money in 2009 and approximately \$91,000 in 2010 (through October 31.) Of these amounts, it spent \$11,500 to maintain City parks and trees in 2009 and \$5,750 in 2010 (through October 31), which is unallowable.

We recommend the City establish appropriate procedures to ensure the allowable use hotel/motel taxes.

Whistleblower policy

The Whistleblower Protection Act provides protection to local government employees by encouraging them to disclose, to the extent possible, improper governmental actions of local government officials and employees.

Local governments are required to comply with this law unless they adopt an alternative policy that complies with the Act, which provides employees an avenue to report possible improper governmental actions.

During 2009, an employee submitted a letter of concern of another employee's misconduct to a supervisor. The City did not complete its investigation and advise the employee of the results until 174 days after the initial concern was received.

The policy states, "The Mayor or his/her designee, as the case may be, shall promptly investigate the report of improper government action. After the investigation is completed (within thirty (30) days of the employees report), the employee shall be advised of the results of the investigation, except that personnel actions taken as a result of the investigation may be kept confidential."

City management stated they did not have the resources to complete the investigation within 30 days. However, the City did notify the employee in writing within 30 days that their report was received.

We recommend City management review the wording of its whistleblower policy to ensure it accurately reflects its expected protocol and timeline for handling employee reported misconduct.

Failure to document open public meetings

State law (RCW 42.32.030) requires the City to promptly record minute's at all regular and special meetings. Our audit found the City did not take minutes at its workshops and an annual retreat. Specifically:

- The City Council held 24 workshops in 2009 and 15 workshops in 2010 prior to its regular meetings. The Council discussed City business at these meetings, but did not take minutes.
- In July 2009, the Council did not take minutes at its annual retreat.

We recommend the City Council establish procedures to ensure minutes are taken for all regular and special meetings as required by law.