

FRIDAY JUNE 19TH STATE AUDIT EXIT CONFERENCE

Tim Callison is inviting you to a scheduled Zoom meeting.

Topic: State Audit Exit Conference

Time: Jun 19, 2020 10:00 AM Pacific Time (US and Canada)

Join Zoom Meeting

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**Office of the Washington State Auditor
Pat McCarthy**

June 19, 2020

Mayor and City Council
City of Langley
Langley, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our financial statement audit of the City of Langley from January 1, 2017 through December 31, 2018. We believe our recommendations will assist you in improving the City's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact me at 425-948-7401.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

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,

Kristina Baylor, Program Manager

Attachment

Preliminary Draft - Please do not duplicate, distribute, or disclose.

Management Letter
City of Langley
January 1, 2017 through December 31, 2018

Financial statement preparation

City management is responsible for designing and following internal controls to ensure financial statements, related schedules, and notes are fairly presented and to provide reasonable assurance regarding their reliability. The City prepares its financial statements in accordance with the cash basis accounting method, as prescribed by the State Auditor's Office Budgeting, Accounting and Reporting System (BARS) Manual. The City received a recommendation over its financial reporting in the prior audit.

Our audit found the City did not have adequate controls to ensure financial statements and bank reconciliations were accurate and prepared in a timely manner. As a result, we identified the following for each fiscal year:

For 2017:

- Total revenues and other increases in fund resources were under-reported by \$12,864.
- Total expenditures and other decreases in fund resources were under-reported by \$11,710.

For 2018:

- An independent review of the City's investment accounts and financial statements was not performed.
- Bank reconciliation processes were not adequate to identify a \$38,606 error between the general ledger and bank statements.
- Total revenues and other increases in fund resources were under-reported by \$611,913.
- Total expenditures and other decreases in fund resources were under-reported by \$612,090.

We also identified other minor errors, including the improper implementation of GASB 75 related to Other Post Employment Benefit and subsequent event disclosures.

The City experienced turnover in the Clerk/Treasurer position before the audit was completed. Upon starting with the City, the new Clerk/Treasurer identified the last two errors noted in fiscal year 2018 and is taking steps to correct the financial information going forward.

We recommend the City strengthen controls over financial statement preparation, including:

- Performing a detailed and independent review of the financial statements, notes and supplemental schedules, including bank reconciliations to ensure accuracy and completeness of amounts and disclosures, and that all reconciling items are identified

- Attending trainings to ensure staff preparing financial statements are up to date on all requirements, including GASB implementations
- Ensuring financial statements are submitted before the statutory deadline