

**MINUTES OF THE SPECIAL WORK SESSION OF THE LYNNWOOD CITY COUNCIL HELD,
MONDAY, SEPTEMBER 14, 2009 AT 6:00 P.M. IN THE CITY COUNCIL CHAMBERS**

Attendance:

Council President Ruth Ross
Council VP Stephanie Wright
Councilmember Loren Simmonds
Councilmember Ted Hikel
Councilmember Jim Smith
Councilmember Mark Smith
Council Assistant Beth Morris

Others:

John Moir, Finance Director
Vicki Heilman, Assistant Finance Director
Bill Burton, Accounting Manager

Washington State Auditor's Team
Brian Goldrick, Assistant State Auditor
Sarah Johnson, Assistant Audit Manager

The City Council met to participate in an “exit conference” requested by the Washington State Auditor’s team who have arrived at the City to do the regular annual audit. No other matters were discussed.

- Held

Adjournment

- The meeting was adjourned at 6:22 p.m.

Don Gough, Mayor

John Moir
Finance Director

Washington State Auditor's Office

Exit Conference

City of Lynnwood

January 1, 2008 through December 31, 2008

September 14, 2009



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 for the period beginning January 1, 2008 and ending December 31, 2008:

- Accountability for public resources and compliance with laws and regulations
- Financial statements
- Federal compliance

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:

- Golf course
- Municipal court
- Police department
- Accounts receivable
- Recreation center/Cedar Valley gym cash receipting
- Interfund transactions
- Safeguarding of assets

Financial Statements

We performed an audit of the financial statements in accordance with *Government Auditing Standards* to conclude whether the statements were presented fairly in all material respects. Our audit was conducted on a test basis and cannot be relied upon to identify every instance of misstatement, fraud or noncompliance in the financial statements.

As part of our audit of the financial statements, we obtained an understanding of internal controls over financial reporting. *Government Auditing Standards* also required us to test compliance with any provisions of laws, regulations, contracts and grant agreements that could materially affect financial statement amounts or data significant to the audit.

Federal Compliance

We tested compliance with material requirements for the major federal program listed below. We also tested internal controls over the major program to determine if they were adequate to detect or prevent noncompliance with material federal requirements.

- Highway Planning and Construction CFDA 20.205

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will not include any findings.

Financial Statement Reports

This report includes our opinion on the financial statements. An unqualified opinion will be issued which means the financial statements are presented fairly, in all material respects.

It also includes our report on internal control over financial reporting and on noncompliance and other matters as required by *Government Auditing Standards*. That report will not include any findings.

Single Audit Reports

This report discloses the results of our audit of the major federal program. The report will not include any findings.

These reports are expected to be issued by September 28, 2009. We now 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 new service on our website at:

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

Other Required Communications

In addition to our audit reports, we are required by professional auditing standards to communicate other significant issues to the Council as follows:

- There were no significant difficulties encountered or disagreements with entity management during the audit.
- There were no material misstatements corrected by management during the audit.
- Uncorrected misstatements in the audited financial statements are summarized below. We agree with management's representation that these misstatements are immaterial to the fair presentation of the financial statements.

Statement / Schedule	Description of Misstatement	Misstatement Type (Known or Likely)
Operating Statement	The City reported a prior-period adjustment, totaling \$86,779, which does not represent actual activity. The adjustment was reported to make the CAFR spreadsheet balance.	Known
Operating Statement	The amount reported on the financial statements for accounts receivable related to the red light system was obtained from a report printed as of February 2009 instead of December 2008. Therefore, the reported balance of \$323,576 may not be accurate.	Known
Operating Statement	The City incorrectly posted a prior period adjustment to correct an error from the 2007 statements. The \$521,704 error was posted to the I-5/196th pedestrian bridge fund.	Known

Audit Results

Audit Recommendations

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

Cash Receipting – Court

The Court Administrator makes non-cash adjustments to fines and is also the only employee who reviews these adjustments. We recommend the City have someone other than the preparer review adjustments made.

Police Department – Citation Audits

The City's Police Department performs ticket audits on a quarterly basis. State Law (RCW 46.64.010) requires that every record of traffic citations shall be audited monthly by the appropriate fiscal officer of the government agency to which the traffic enforcement agency is responsible. We recommend the City comply with State Law by performing monthly audits of citations.



**Washington State Auditor
Brian Sonntag**

September 14, 2009

City Council
City of Lynnwood
19100 44th Ave. W.
Lynnwood, WA 98036

Management Letter

In planning and performing our financial statement and federal audit of the City of Lynnwood for the period January 1, 2008 through December 31, 2008, we noted areas in which the City's financial statement preparation and federal compliance documentation could be improved. While these items are not significant enough at this time to include in our reports, we believe our recommendations will assist you in improving the City's processes.

We will review the status of this comment during our next audit. We have already discussed the comment and made suggestions for improvements to City officials and personnel. We would be pleased to discuss them in further detail at your convenience, or to assist you in following the recommendations. If you have any questions, please contact Casey Dwyer, Audit Manager 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 Lynnwood
September 14, 2009

Preparation of Financial Statements

We noted multiple errors in the City's financial statements that the City did not identify during its review process. Currently, the employees who prepare the statements also conduct the final review. Although these individuals are the most knowledgeable about financial statement preparation, the review is not catching all errors prior to submitting the financial statements to the State Auditor's Office.

The errors noted did not have a material effect on the financial statements for the 2008 audit. However, there is a risk that a material misstatement could occur and not be detected with the current review process.

We recommend the City establish and follow a detailed review process to ensure the financial statements are accurate. We also recommend the final review be done by someone independent of the initial preparation of the financial statements.

Suspension and Debarment

In 2008, the City spent \$871,500 in federal funds for its Olympic View Drive Phase 1 Safety Improvements Project. These funds were awarded through the Highway Planning and Construction Grant, CFDA 20 205. The City did not retain documentation showing the contractor was not suspended or debarred. While the City does have council-approved minutes stating the contractor was not suspended or debarred, it did not maintain a printout from the Excluded Parties List nor does it have a suspension and debarment certification on file.

We recommend the City implement internal controls to comply with federal regulations regarding suspension and debarment.

Status of Prior Audit Recommendations

<i>Prior Audit Findings</i>	<i>Resolved</i>	<i>Unresolved</i>
Financial Statement Preparation	Partially	
Police Department Evidence Room Misappropriation	X	
Golf Course	X	
Davis-Bacon Act	X	
<i>Prior Audit Management Letter Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Open Public Meetings Act	X	
<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Cash Receipting Policies and Procedures	X	
Golf Gift Certificates	X	
Non-Utility Accounts Receivable	X	
Accounts Receivable - Courts	Partially	
Sewer – M&O Cut-off	X	

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 John Moir 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 2010 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs