



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Woodland

For the period January 1, 2023 through December 31, 2023

Published December 26, 2024

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

December 26, 2024

Mayor and City Council
City of Woodland
Woodland, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

| | |
|---|----|
| Audit Results..... | 4 |
| Schedule of Audit Findings and Responses..... | 5 |
| Related Reports..... | 10 |
| Information about the City..... | 11 |
| About the State Auditor's Office..... | 12 |

AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the City could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the City of Woodland from January 1, 2023 through December 31, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Department of Community Development – building permit calculations
- Police Department – evidence room and cash receipting
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Payroll – gross wages, overtime, and electronic funds transfers
- Accounts payable – credit cards and electronic funds transfers
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Woodland January 1, 2023 through December 31, 2023

2023-001 The City lacked adequate oversight to ensure credit card disbursements were for allowable public purpose, which resulted in a loss of public funds.

Background

The City is responsible for designing and following internal controls that provide reasonable assurance it is complying with state laws and policies, as well as safeguarding public resources. A seven-member Council and Mayor govern the City. During the audit period, the City had a City Administrator that oversaw its daily operations and a deputy clerk-treasurer who was responsible for maintaining financial records, preparing the annual financial reports, and overseeing disbursements. During 2023, the City of Woodland had about \$13 million in operating expenditures, which included \$214,000 of credit card activity.

Description of Condition

The City lacked adequate procedures over credit card activity to safeguard public resources. The City did not ensure each charge was for an allowable use of public funds and that it obtained supporting documentation for all credit card transactions to demonstrate that each were for a valid public purpose. Specifically, we identified the following:

Former Mayor's credit card

In the prior audit, residents reported a concern to our Office and the City regarding the former Mayor's use of a City credit card for personal expenses. We audited the June 2023 transactions and found \$1,858 of personal expenses charged to the City credit card related to the former Mayor's personal trip to Las Vegas. The former Mayor acknowledged the personal charges and said he was unable to use his personal credit card because he had experienced fraud on his personal accounts. He reimbursed the City for these charges in July 2023. The prior audit also found a \$1,070 charge the former Mayor made to the local community college in March 2022 that the City identified as a personal charge. The former Mayor only reimbursed the City for the charge when he was questioned by the City in April 2022 and said he used the City credit card by mistake.

During the current audit, we found the former Mayor continued to use the City credit card to make personal purchases from December 10, 2022, to November 17, 2023, which included meals, groceries and out-of-state hotel accommodations. The City identified most of these purchases as personal during its review and requested reimbursement. The former Mayor reimbursed the City in May 2023 and July 2023 for all but four meal transactions totaling \$435 that occurred in March 2023. The audit found one additional personal charge in August 2023 for groceries totaling \$145 that included wine that the City did not identify and therefore, the former Mayor did not reimburse.

We reviewed the former Mayor's credit card transactions and found the City did not have adequate support for several transactions to demonstrate the business purpose, resulting in \$5,845 in questionable costs. Specifically, we identified a pattern of the former Mayor using the City's credit card to purchase meals and refreshments totaling about \$4,100. For one of the transactions we tested, the charge included alcoholic drinks, which is not an allowable use of public funds. These questionable costs also included more than \$1,700 in charges for golf-related activities that did not have a documented or evident public purpose.

Lastly, in November 2023, the City hosted a Chamber of Commerce event to promote a new food cart park. The City paid for a food cart using the former Mayor's credit card to supply food to the public and paid almost \$500 for a local tap house to supply and operate a beer garden. Alcohol is not an allowable use of public funds.

Former Public Works Director

Our review of the Public Works Director's charges also identified transactions that lacked support to demonstrate the public purpose. We identified \$1,281 in questionable charges related to meal and coffee purchases, as well as \$867 in employee recognition and gifts, which City policy did not allow.

Deputy Clerk-Treasurer

The City's Deputy Clerk-Treasurer, who was responsible for reviewing credit card charges to ensure they were supported and allowable, had a credit card. There was no independent review of their charges and our audit identified \$49 in questionable charges, as well as online purchases from several vendors such as Walmart and Amazon that lacked documentation. In total, the City did not perform an independent review of 155 transactions totaling \$18,935. During the audit, the City was able to obtain support for the charges through its online accounts with the vendors, which we found to be allowable.

Cause of Condition

The City did not take action and follow city policy to revoke credit card usage when a pattern of unallowable and unsupported charges was identified. Also, the City Council relied on the former Mayor and employees to follow policies and make allowable charges without adequate oversight.

Effect of Condition

The former Mayor made personal purchases totaling \$3,965 between March 2022 and November 2023. While the City's monitoring procedures identified \$3,820 of the personal charges, the City only recovered \$3,385 as of the time of this report, with \$580 remaining to be recovered.

Additionally, we consider 46 credit card transactions tested totaling \$7,176 questionable, as we could not conclude whether they were allowable and served a public purpose because they lacked adequate supporting documentation.

The City also paid \$537 for alcohol, which is not an appropriate use of public funds, and \$867 for employee recognition, which City policy did not allow.

Inadequate internal controls over credit card activity increase risk that management could not detect a loss or misappropriation of public funds quickly, if at all.

Recommendation

We recommend the City strengthen internal controls over credit card disbursements to ensure all expenditures paid using public dollars are for a valid, public purpose and are adequately supported.

We also recommend the City seek recovery of the remaining personal purchases amount of \$580 including questionable amounts as appropriate, from the former Mayor and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the City must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or Matthew.Kernutt@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

City's Response

The City of Woodland acknowledges the findings outlined in the audit regarding credit card usage and the identified lapses in internal controls. We take these concerns seriously and are committed to strengthening our processes to safeguard public resources and ensure compliance with state laws and City policies.

The City will diligently pursue the recovery of all unallowable and personal costs identified in the audit. The City will engage with its insurance company, legal counsel, and other appropriate systems/individuals and follow the required legal processes to seek recovery of the charges identified in the audit. Specifically:

- The remaining \$580 in personal purchases that were made by the former Mayor.*
- Any additional questionable amounts identified in accordance with the findings and state law.*

To address the identified deficiencies, the City will implement the following measures, some of which have already been implemented:

1. Credit Card Usage Policies:

- The City will better define a Credit Card Usage Policy and ensure all cardholders acknowledge their agreement on compliance with this policy.*
- The City will enforce stricter adherence to its credit card policy by revoking credit card privileges from any employee or official who demonstrates a pattern of misuse.*
- Alcohol purchases and unapproved expenses will explicitly be prohibited and monitored.*

2. Enhanced Oversight and Documentation:

- Require detailed documentation for all credit card transactions to establish their public purpose before approval.*
- Introduce a robust review process for transactions, including an independent review of charges made by individuals responsible for oversight, such as City Clerk or City Treasurer.*

3. *Training and Accountability:*

- *Provide training to all employees and elected officials regarding allowable expenditures, documentation requirements, and the consequences of misuse.*
- *Require acknowledgment of credit card policies to ensure all users are informed of their responsibilities.*

The City is dedicated to rebuilding trust with the community. We will take appropriate corrective actions to address the concerns raised in this audit and will regularly report progress on implementing these measures.

We appreciate the guidance provided by the State Auditor's Office and will work closely with them to resolve all outstanding matters. The City remains steadfast in its commitment to accountability and the proper stewardship of public resources.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit and acknowledge its commitment to resolve this finding. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

Budgeting, Accounting and Reporting Systems (BARS) Manual – Accounting – Principles and Controls, Internal Controls, Sections 3.1.3.20 and 3.1.3.30

RELATED REPORTS

Financial

Our opinion on the City's financial statements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>. That report includes a finding for a significant deficiency in internal controls over financial reporting regarding the preparation and accuracy of the financial statements.

Other reports

We issued an examination report on the City's compliance with Coronavirus State and Local Fiscal Recovery Funds Program Requirements as part of the American Rescue Plan Act of 2021. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Woodland, located in both Cowlitz and Clark counties, was incorporated on March 26, 1906. The City provides police, emergency medical aid, street maintenance, sanitation, health, recreation, library, parks, public improvements and planning and zoning services to approximately 6,575 citizens. Additional services include water supply treatment and distribution and wastewater collection and treatment services.

An elected, seven-member Council and a separately elected Mayor govern the City. The Council appoints management to oversee the City's daily operations as well as its 51 employees. For fiscal year 2023, the City's operating revenues totaled approximately \$20.1 million.

Contact information related to this report

| | |
|------------|--|
| Address: | City of Woodland 230 Davidson Avenue City Hall Annex P.O. Box 9 Woodland, WA 98674 |
| Contact: | Georgina D Anderson, Deputy Clerk-Treasurer |
| Telephone: | (360) 225-8281 |
| Website: | www.ci.woodland.wa.us |

Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Woodland at <https://portal.sao.wa.gov//ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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