



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## City of Sumas

For the period January 1, 2019 through December 31, 2021

*Published February 2, 2023*

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

February 2, 2023

Mayor and City Council  
City of Sumas  
Sumas, 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

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## AUDIT RESULTS

### Results in brief

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

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

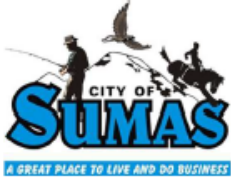
This report contains the results of our independent accountability audit of the City of Sumas from January 1, 2019 through December 31, 2021.

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 years ended December 31, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – general disbursements
- Accounts receivable – utility adjustments
- Payroll – leave balances and accruals
- Treasury activities – bank reconciliations
- Cost allocation plan – equitable distribution of indirect costs
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress



# CITY OF SUMAS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### City of Sumas

January 1, 2019 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2017 through December 31, 2018	<b>Report Ref. No.:</b> 1025200	<b>Finding Ref. No.:</b> 2018-001
<b>Finding Caption:</b> The City lacked adequate internal controls and monitoring over significant accounting systems to ensure safeguarding of public resources.		
<b>Background:</b> The City did not address prior audit recommendations to ensure it established adequate internal controls over significant accounting systems, including utility billing adjustments and voids, bank reconciliations, disbursements, and payroll. The City also did not establish or implement written policies and procedures over these areas.  The audit identified transactions for utility billing adjustments, disbursements, and leave accruals that the City could not demonstrate were adequately and properly supported and approved, as well as errors in bank reconciliations that affected amounts reported in the City's financial statements.		
<b>Status of Corrective Action:</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>The City has reviewed and updated policies, procedures, and practices since the prior audit to ensure our internal controls are adequate to safeguard the resources entrusted to us. The City reviewed areas of cash handling, utility billing and adjustments, payroll, banking, and personal employee expense approvals to make sure there is sufficient documented support for transactions, documented approval of transactions, and adequate separation of duties within these processes to ensure proper oversight and authorization has been provided.</i>		

## 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, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE CITY

The City of Sumas, incorporated in 1891, serves approximately 1,740 citizens in Whatcom County. It is governed by a mayor-council form of government with an elected, five-member Council and an independently elected Mayor. The Council appoints management to oversee the City's daily operations as well as its 16 full-time employees.

The City provides services including public safety, planning, streets and parks maintenance, police, Municipal Court, general administrative services, cemetery, water, sewer, storm, and electric utilities. For fiscal years 2019, 2020 and 2021, the City operated on annual budgets of \$9.7 million, \$9.4 million and \$9.2 million, respectively.

### Contact information related to this report

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Website:	<a href="http://www.cityofsumas.com">www.cityofsumas.com</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the City of Sumas at <http://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](http://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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