



**Office of the Washington State Auditor**

**Pat McCarthy**

## **Accountability Audit Report**

# **North Whidbey Pool, Park and Recreation District**

**For the period January 1, 2016 through December 31, 2019**

**Published August 24, 2020**

**Report No. 1026839**





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

August 24, 2020

Board of Commissioners  
North Whidbey Pool, Park and Recreation District  
Oak Harbor, 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 District 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 District'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 we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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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, District 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.

However, we noted certain matters related to open public meetings and disbursements that we communicated to District management and Board of Commissioners in a letter dated August 14, 2020. We appreciate the District's commitment to resolving those matters.

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 North Whidbey Pool, Park and Recreation District from January 1, 2016 through December 31, 2019.

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 State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District'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, 2019, 2018, 2017 and 2016, 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, credit cards, electronic funds transfers, and petty cash
- Open public meetings – documentation of minutes, executive sessions, special meetings and training requirements
- Self-insurance for unemployment

## INFORMATION ABOUT THE DISTRICT

The North Whidbey Pool, Park and Recreation District provides recreational services to approximately 40,100 people primarily in the northern portion of Whidbey Island, located in Island County. The District operates a swimming pool in Oak Harbor and owns and manages two ball fields and an off-leash dog park.

An elected, five-member Board of Commissioners governs the District. The Board appoints a Director to oversee the day-to-day operations of the District. The District has three full-time positions and approximately 40 part-time staff. The District had revenues of \$951,400 in 2016, \$892,666 in 2017, \$161,787 in 2018 and \$1,034,566 in 2019. Property taxes provide the majority of its revenue, and the remainder is from program fees, concessions sales, and other special events.

<b>Contact information related to this report</b>	
Address:	North Whidbey Pool, Park and Recreation District 85 S.E. Jerome Street Oak Harbor, WA 98277
Contact:	Jay Cochran, Director
Telephone:	(360) 675-7665
Website:	<a href="http://www.oakharborpool.com">www.oakharborpool.com</a>

*Information current as of report publish date.*

### **Audit history**

You can find current and past audit reports for the North Whidbey Pool, Park and Recreation District at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<u><a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a></u>
<b>Main telephone</b>	(564) 999-0950
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<u><a href="http://www.sao.wa.gov">www.sao.wa.gov</a></u>



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

August 14, 2020

Board of Commissioners  
North Whidbey Pool, Park and Recreation District  
Oak Harbor, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the North Whidbey Pool, Park and Recreation District from January 1, 2016 through December 31, 2019. We believe our recommendations will assist you in improving the District's internal controls and compliance 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 District officials and personnel. If you have any further questions, please contact me at (360) 676-2165.

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,

A handwritten signature in black ink that reads "Deena Garza".

Deena Garza, Audit Manager

Attachment

## Management Letter

North Whidbey Pool, Park and Recreation District

January 1, 2016 through December 31, 2019

### Open public meetings

The Open Public Meetings Act (chapter 42.30 RCW) contains specific provisions regarding regular and special meetings, executive sessions, the conduct of meeting, and other items. The District held 93 regular or special meetings during the four year audit period.

The District did not have written or Board-approved minutes for 36 meetings. Minutes act as the official record of the meeting, including among other things documentation of the Board's actions. State law (RCW 42.30.035) requires the minutes of all regular and special meetings, with the exception of executive sessions, to be promptly recorded and available for public inspection. A lack of minutes leaves both the public unable to review decisions made by the board and the District without precedent if disagreements or misunderstandings occur. The District subsequently prepared written minutes for all of these 36 meetings before the conclusion of the audit.

At one special meeting, the Board acted to approve vouchers, which was not on the notice for the special meeting. State law (RCW 42.30.080) allows for special meetings and requires final disposition cannot be taken on any matter not listed in the special meeting notice.

We recommend the District ensure written meeting minutes are drafted and approved promptly following all open public meetings, and that at special meetings action is taken only on matters included in the meeting notice.

### Disbursements

The District is responsible for establishing effective controls to monitor and review the disbursements of public funds to ensure public resources are adequately safeguarded, supported and used for allowable business purposes. We examined general disbursements and other related areas including warrants, credit cards, petty cash and bank reconciliations.

From mid-2018 and through 2019, the District did not conduct a consistent monthly bank or County Treasurer reconciliation process involving an independent review of statement activity to the general ledger. The *Budgeting, Accounting, and Reporting System* (BARS) Manual 3.1.9.15 requires bank reconciliations, including both the ending balance of cash as well as cash activity, at least monthly. Bank reconciliations are a necessary control to safeguard cash against fraud and losses and to ensure the accuracy of accounting records.

State law requires Board approval for all payments of claims and outlines requirements for payment before Board approval. The District had several fees charged directly to one of its bank



accounts. These amounts were not approved by the Board either before or after payment. The District has a policy authorizing claim payment before Board approval. However, it does not include all the elements outlined in RCW 42.24.180, including procedures for Board review of documentation supporting claims paid or provisions for claims that are disapproved after Board review. Further, the District did not keep adequate records to support two credit card transactions and one petty cash purchase.

Additionally, the District's petty cash policies and resolutions did not establish an authorized dollar amount or expectations for the use of petty cash funds, and the custodian role is no longer performed by the person listed.

We recommend the District ensure:

- All bank and County Treasurer statements are reconciled to the accounting system monthly, and that this reconciliation be either performed or reviewed by a person independent of the position recording the transactions. Any variances or concerns should be promptly investigated.
- All disbursement transactions, including electronic transactions, are approved by the Board
- Policies allowing payment of claims before Board approval address all of the required elements of RCW 42.24.180
- Supporting records are kept for all disbursements, including itemized receipts and reimbursement forms, sufficient to demonstrate the validity of the transaction for review and approval
- Policies and resolutions establishing petty cash accounts are up-to-date and clearly outline the authorized balance, custodians, and expectations for the use of the petty cash funds