

Washington State Auditor's Office
Accountability Audit Report

City of Lynnwood
Snohomish County

Report Date
August 7, 2009

Report No. 1002149

Issue Date
September 21, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 21, 2009

Mayor and City Council
City of Lynnwood
Lynnwood, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your City to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the City of Lynnwood's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Snohomish County
August 7, 2009**

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Audit Summary

**City of Lynnwood
Snohomish County
August 7, 2009**

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the City of Lynnwood for January 1, 2008, through December 31, 2008.

We evaluated internal controls and performed audit procedures on the activities of the City. We also determined whether the City complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit:

- Golf course
- Municipal Court
- Police Department
- Accounts receivable
- Open Public Meetings Act
- Recreation center/Cedar Valley gym cash receipting
- Inter-fund transactions
- Safeguarding of assets

RESULTS

In the areas we examined, the City's internal controls were adequate to safeguard public assets. The City also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

**City of Lynnwood
Snohomish County
August 7, 2009**

FINANCIAL

Our opinion on the City's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the City's financial statements.

FEDERAL GRANT PROGRAMS

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the City's major federal program, which is listed in the Federal Summary section of the financial statement and single audit report.

Description of the City

**City of Lynnwood
Snohomish County
August 7, 2009**

ABOUT THE CITY

The City of Lynnwood has a population of 35,490 and encompasses more than seven square miles in Snohomish County. A mayor-council form of government administers the City with seven elected Council Members and an elected Mayor. The elected Council Members serve staggered, four-year terms. The City has approximately 373 full-time employees and 130 part-time employees. The City provides an array of services including police, fire protection, emergency medical services, water distribution, sewage collection and treatment, street construction and maintenance, and parks and recreational facilities including a pool, a senior center and a golf course.

The City also has a Municipal Court and a jail facility that provide services locally and to other governments. The City's biennial operating budget for 2007-2008 was approximately \$160.9 million.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
Council:

Don Gough
Loren Simmonds
Ted Hikel
Mark Smith
Jim Smith
Lisa Utter
Ruth Ross
Stephanie Wright

APPOINTED OFFICIALS

Finance Director
Attorney

John Moir
Eric Frimodt

CITY CONTACT INFORMATION

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P.O. Box 5008
Lynnwood, WA 98046-5008

Phone: (425) 670-5000

Web site: www.ci.lynnwood.wa.us

AUDIT HISTORY

We audit the City annually. From 1994 through 2005, we reported no audit findings. However, the City was issued three findings during 2006 and four findings during 2007. During the current audit, we have issued no findings. The City has taken steps to correct issues noted in the last two audits. Our recommendations have been addressed by the City.

Status of Prior Audit Findings

City of Lynnwood Snohomish County August 7, 2009

The status of findings contained in the prior years' audit reports of the City of Lynnwood is provided below:

1. Public funds and assets were misappropriated and accounting records were falsified and destroyed at the City of Lynnwood Police Department.

Report No. 75349, dated September 29, 2008

Background

In June 2007, the City discovered evidence suggesting an officer misappropriated evidence from the evidence room. The City referred the matter to the Federal Bureau of Investigation for investigation. As a result of being told by the Federal Bureau of Investigation to not inform anyone of the investigation, the City did not make the Auditor's Office aware of the suspected fraud as required by RCW 43.09.260.

Status

The City noted that going forward they will relay any fraudulent activities to the State Auditor's Office as they become known. We consider the issue to be resolved.

2. The City of Lynnwood has inadequate internal controls over inventory and cash receipting at its golf course.

Report No. 75349, dated September 29, 2008

Background

During the 2007 audit, the Auditor's Office noted multiple areas that were not adequately safeguarded through proper internal controls. We noted the City did not have adequate controls over maintaining inventory, keys and combinations to unlock cash registers were left out in the open, funds were comingled without being able to verify responsibility, and the City utilized a vendor to sell food and beverages but did not have an adequate contract in place to ensure public funds were safeguarded.

Status

The City has greatly decreased its inventory supply in order to sell only necessary equipment (balls, tees, hats, etc.), the keys are left in a secure location, each cashier is assigned their own till that they are responsible for and the City no longer contracts with an outside vendor to sell food and beverages. We consider the issue to be resolved.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
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Public Records Officer
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Toll-free Citizen Hotline

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