



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

[Letter Issue Date (typically the date of the exit conference)]

City Council and Mayor
City of Clarkston
Clarkston, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our audit of the City of Clarkston from January 1, 2019 through December 31, 2020. We believe our recommendations will assist you in improving the City's internal controls 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 City officials and personnel. If you have any further questions, please contact me at Alisha.Shaw@sao.wa.gov.

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 their cooperation and assistance during the audit.

Sincerely,

Alisha Shaw, Program Manager

Attachment

Management Letter

City of Clarkston

January 1, 2019 through December 31, 2020

Financial statement preparation

City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance financial reporting is reliable and complete. The City prepares its financial statements, notes and schedules in accordance with the cash basis accounting method prescribed in the *Budgeting, Accounting and Reporting System (BARS) Manual*.

The City’s processes for preparing and reviewing the financial statements and notes were ineffective to detect and correct all reporting errors before audit. Our audit found the following errors resulting from this deficiency. The City:

- Incorrectly classified ending cash and investment balances in the 2019 financial statements, understating reserved and overstating unreserved balances by \$1,596,675.
- Underreported restricted and committed ending cash and investments in the 2020 Notes to the Financial Statements by \$4,488,504.
- Understated revenues and ending cash and investments in the 2019 financial statements by \$16,533 as compared to the City’s general ledger.
- Could not provide documentation to fully support beginning and ending cash and investments, revenues, and expenditures reported in the 2020 financial statements that exceed the auditor’s expectations. This resulted in the following likely misstatements:

Balance	Estimated Under(over) statement
Beginning cash and investments	(3,612)
Revenues	218,203
Expenditures	232,340
Ending cash and investments	(491)

- Overstated deposits and investments in the 2019 Notes to the Financial Statements by \$27,111
- Understated deposits and investments in the 2020 Notes to the Financial Statements by \$321,269

We found other, less significant errors in the Notes to the Financial Statements.

We recommend City management strengthen internal controls over financial reporting. Specifically, management should:

- Ensure cash and investments, revenues, and expenditures reported in the financial statements agree to the reconciled general ledger and bank balances at year-end

- Properly classify and disclose ending cash and investments in the financial statements and notes.
- Perform an effective review of the financial statements and notes to identify and correct errors before submitting them for audit