



Washington State Auditor's Office

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Accountability Audit Report

City of Des Moines

King County

For the period January 1, 2014 through December 31, 2014

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Washington State Auditor's Office

February 11, 2016

Mayor and City Council
City of Des Moines
Des Moines, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office 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.

The attached comprises our report on the City's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In the areas we audited, City operations complied with applicable requirements and provided adequate safeguarding of public resources. The City also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the City of Des Moines from January 1, 2014 through December 31, 2014.

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.

Our audit involved performing procedures to obtain evidence about the City's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

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 fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Accounting/financial reporting
- Debt/covenants
- Open public meeting minutes
- Open public records laws compliance
- Legal authority for official actions taken
- Conflict of interest/ethics laws
- Court financial operations

STATUS OF PRIOR AUDIT FINDINGS

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Des Moines. The State Auditor’s Office has reviewed the status as presented by the City.

Audit Period: 2013	Report Ref. No: 1013070	Finding Ref. No: 1
Finding Caption: The City’s financial condition has continued to decline, which puts it at risk for not being able to meet its financial obligations and maintain current service levels.		
Background: The City provides the following services: police, community development, parks and recreation, engineering, streets, surface water management, Municipal Court and maintains a marina, as well as other administrative services. Over the past four years, the City’s General Fund ending fund balance has been diminishing due to the downturn in the economy and declining tax revenues.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The city has created a 6 Year Financial Forecast. A Council retreat on the City’s financial condition and budgeting strategies, including increasing revenues and decreasing costs, was held on August 8. The forecast creates milestones and sets financial condition trigger levels. The importance of establishing revenues enhancements/ expenditure curtailments to go with each stage of financial condition change was discussed. The 2015 Revised forecast is a \$822K net activity surplus and 2016 indicates only a \$300K deficit (1.57% of expenditures), so we are fairly confident we’ll be able to find a way to eliminate the 2016 deficit over the next few months. 2017-2020 is more challenging but we also discussed strategies to address these forecasted challenges before they arrive.</i>		

RELATED REPORTS

Financial

Our opinion on the City's financial statements and compliance with federal grant program requirements is provided in a separate report issued in August 2015, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

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 issued in August 2015. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Des Moines serves approximately 30,000 citizens in South King County. The City has a council-manager form of government. The seven Council Members are elected to staggered, four-year terms. Every two years, the Council selects one of its members as Mayor. Approximately 140 employees provide police, community development, parks and recreation, engineering, streets, surface water management, Municipal Court and certain administrative services. The City also operates a marina on Puget Sound. Other entities provide additional services such as fire, emergency medical, water, sewer, solid waste and library.

The City's 2014 general operating expenditures were approximately \$19.7 million. The City incurred an additional \$6.8 million in expenditures related to its marina and surface water utility.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Des Moines 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.

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