



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

February 22, 2022

City Council and Mayor  
City of Ocean Shores  
Ocean Shores, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the City of Ocean Shores from January 1, 2020 through December 31, 2020. We believe our recommendations will assist you in improving the City'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 City officials and personnel. If you have any further questions, please contact me at (564) 999-0882.

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,

A handwritten signature in cursive script that reads "Lisa Carrell".

Lisa Carrell, CPA, Audit Manager

Attachment

City of Ocean Shores  
Management Letter  
January 1, 2020 through December 31, 2020

**Disbursements**

The City spent about \$19.2 million in general disbursements in fiscal year 2020. The City is responsible for establishing effective controls for monitoring and reviewing disbursements to ensure public resources are adequately safeguarded, supported, and used for allowable business purposes.

Our audit found that the City did not have adequate internal controls to ensure disbursements were accurate, supported and allowable. Specifically, we identified the following concerns:

- The City did not adequately segregate accounts payable functions from vendor management functions, which is necessary for ensuring only valid vendors receive payments.
- The City had expired contracts in place for two professional service vendors who were paid about \$28,487 and \$64,210 in 2020. Further, the City did not obtain monthly invoices for the services vendors provided, and the cost of services one of the vendors provided did not reflect the original contract amount.
- The City spent about \$1,778 on alcohol purchases, but it does not have policy that allows for purchasing alcohol. Further, the City could not provide documentation showing the purchase was for a public purpose.
- Due to duplicate invoices, the City overpaid a vendor \$448.

The City previously discovered its contracts with the two professional service vendors had expired, and it entered into new contracts with them for fiscal year 2021. We commend the City for identifying and correcting the contract issues.

We recommend the City:

- Segregate duties between the accounts payable and vendor management functions to ensure only valid vendors receive payments
- Ensure professional service contracts are current, vendors meet the contract terms, and vendors provide invoices before staff make payments
- Comply with state law and its own established policies and procedures
- Obtain and keep adequate documentation supporting the public purpose of purchases
- Adequately review invoices to ensure the City is not making duplicate payments