



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

January 30, 2023

Mayor and City Council  
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, 2021 through December 31, 2021. We believe our recommendations will assist you in improving the City's internal controls or 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,

Lisa Carrell, CPA, Audit Manager

Attachment

Management Letter  
City of Ocean Shores  
January 1, 2021 through December 31, 2021

**Convention Center Disbursements**

The City spent about \$18.8 million in general disbursements in fiscal year 2021. 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 purposes. The City received a management letter in the prior audit relating to its controls over disbursements, including alcohol purchases. We followed up on that work in our current audit.

Our audit found that the City did not have adequate internal controls in place to ensure disbursements were allowable, reasonable and necessary. Specifically, the City purchased \$7,575 in alcohol through general disbursements and another \$1,101 in alcohol through its credit card. The City does not have a policy that allows for purchasing alcohol and its credit card policy prohibits this type of purchase. We also noted the City does not have controls in place, such as an inventory system, to ensure alcohol purchases and sales are tracked and managed for events, which increases the risk of loss.

In addition, the City paid for two purchases at local restaurants totaling \$270 and three purchases at local hotels totaling \$1,716. The City does not have a policy for non-travel meals and did not document whether these expenditures were reasonable, necessary and for a public purpose.

We recommend the City:

- Comply with its own established policies and procedures
- Implement policies that identify when food and beverage expenditures are allowable
- Ensure theft-sensitive and attractive purchases are properly tracked and managed
- Obtain and keep adequate documentation supporting the public purpose of purchases