

WALLA WALLA CITY COUNCIL

Special Meeting Minutes

January 17, 2014

I. CALL TO ORDER

Mayor Cummins called the meeting to order at 11:03 a.m. in the City Hall Council Chambers, 15 North 3rd Avenue.

Present: Councilmembers Jim Barrow, Barbara Clark, Dick Morgan, Allen Pomraning, and Mayor Jerry Cummins.

Absent: Councilmembers Mary Lou Jenkins and Chris Plucker.

City staff in attendance: City Manager Nabel Shawa, Deputy City Manager Tim McCarty, Finance Manager Jean Teasdale, and City Clerk Kammy Hill.

Washington State Auditor's Office representatives in attendance: Ginny Waltman, Audit Manager, and Crystal Fenton, Audit Lead.

II. ACTIVE AGENDA

A. Exit conference with State Auditors (2012 Accountability Audit).

Ms. Waltman reviewed purpose and process of meeting.

Ms. Fenton reported the areas examined in the accountability audit included:

- Third-party cash receipting.
- Landfill small and attractive assets.
- Water department inventory.
- Contracts/lease monitoring.
- Ambulance billing.
- On-call contracts.
- Eden security.
- Payroll disbursements.
- Credit card transactions.
- Self-insurance (workers compensation) reserves.
- Restricted funds.

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This review identified a condition significant enough to report as a finding:

- The City of Walla Walla is not monitoring its contracts with Tourism Walla Walla and does not have internal controls to ensure restricted funds are used properly.

This finding is a result of the City not having received the contractual reports from Tourism Walla Walla to ensure they are using the lodging tax funds in a permissible manner. The City did not require Tourism Walla Walla to comply with the terms of its contract to ensure all expenditures of restricted funds were in accordance with State law. Tourism Walla Walla also has not created and maintained a "stand-alone accounting system" for TPA fees although these funds are tracked separately within the same accounting system. The auditor's office did not find any misappropriation of funds but Tourism Walla Walla could not provide adequate documentation that all funds were spent in accordance with State law.

There was discussion on:

- Why this is a City issue and not a Tourism Walla Walla issue.
- No quarterly reports were filed in 2012 primarily due to the staff turnover within Tourism Walla Walla.
- There was no accounting violation but a lack of contract monitoring.

Deputy City Manager McCarty stated this finding is an exaggerated outcome to an anomaly. Staff does not feel the issue of strict contract compliance is appropriate at the finding level and should have been a management letter issue. Ms. Waltman and Ms. Fenton outlined the Auditor's office internal review process in determining whether an issue rises to the level of a finding. Because of the dollar amount of the contracts with Tourism Walla Walla, the Auditor's office felt a finding was appropriate and they are not likely to change their position.

There was additional discussion on:

- The City's involvement with Tourism Walla Walla and the ongoing work and oversight by staff with this organization. City staff is very aware of how this organization is using the funds provided by the City.
- The first responsibility of contractors is to ensure their revenue stream which means complying with contractual terms.
- Staff will ensure contract compliance even if this may disrupt the flow of income to contractors.

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- Tourism Walla Walla has a fiduciary responsibility to file required reports and the City has an obligation to monitor and withhold funds if necessary.
- The impact of withholding funds from Tourism Walla Walla during their period of internal instability could have had a devastating effect on tourism promotion efforts. The public's money was not at risk because of the level of oversight and involvement of City staff.
- Staff is unsure of the guidance to give to Tourism Walla Walla regarding establishment of a separate accounting system for tourism promotion funds as required in the current contract. Ms. Fenton indicated they would give the City one year to correct the issues identified in the finding.

A majority of the City Council did not feel a finding was appropriate since there was no misappropriation of funds and City staff remains very involved with the operation of Tourism Walla Walla. Ms. Waltman and Ms. Fenton indicated the State Auditor's office would not be changing the finding to a management issue and the report will be issued in a couple of weeks.

Ms. Fenton reported the issue of pay raises had been resolved. Representatives of the State Auditor's office will be back on site in April, at the request of the City, to audit the City's Comprehensive Annual Financial Report (CAFR).

Mayor Cummins objected to having to pay travel costs because the State Auditor's office chose to reduce expenses by closing the Walla Walla office resulting in increased costs for the City.

IV. ADJOURNMENT

There being no further business the meeting was adjourned at 11:54 a.m.