

**Washington State Auditor's Office**  
**Accountability Audit Report**

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**City of Seattle**  
**King County**

Report Date  
**November 22, 2006**

**Report No. 71887**

Issue Date  
**December 15, 2006**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_  
Brian Sonntag



**Washington State Auditor  
Brian Sonntag**

December 15, 2006

Mayor and City Council  
City of Seattle  
Seattle, Washington

***Report on Accountability for Public Resources***

Please find attached our report on the City of Seattle's accountability for public resources and compliance with state laws and regulations and its own policies and procedures.

In addition to this work, we also audit the City's financial statements and compliance with federal laws and regulations. The results of that audit will be included in a separately issued audit report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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King County  
November 22, 2006**

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# Audit Summary

**City of Seattle  
King County  
November 22, 2006**

## ***ABOUT THE AUDIT***

This report contains the results of our independent accountability audit of the City of Seattle.

We performed audit procedures to determine whether the City complied with state laws and regulations and its own policies and procedures. We also examined City management's accountability for public resources. Our work focused on specific areas that have potential for abuse and misuse of public resources.

Areas examined during the audit were selected using financial transactions from January 1, 2005, through December 31, 2005.

## ***RESULTS***

The City substantially complied with state laws and regulations and its own policies and procedures in the areas we examined. Internal controls were adequate to safeguard public assets.

However, we noted certain issues that we communicated to City's management. We appreciate the City's commitment to resolving the issues.

## ***RELATED REPORTS***

Our opinion on the City's financial statements and compliance with federal program requirements is provided in a separate report, which includes the City's financial statements. That report includes a federal finding regarding record-keeping and monitoring requirements for equipment.

## ***CLOSING REMARKS***

We thank City officials and personnel for their assistance and cooperation during the audit.

# Description of the City

**City of Seattle  
King County  
November 22, 2006**

## ***ABOUT THE CITY***

The City of Seattle is the largest city in Washington, with a population of approximately 578,700. It has a mayor-council form of government with nine elected Council Members, an elected Mayor and an elected City Attorney. The City's budget for 2005 was \$2.83 billion including \$687 million for the General Fund. It has about 10,000 employees and provides a full range of services including water, drainage and wastewater, solid waste, electric, police, Municipal Court, fire, emergency medical, parks and recreation (including four golf courses), planning and economic development, and municipal libraries.

## ***AUDIT HISTORY***

We audit the City annually. The past five audits of the City have found various issues relating to internal controls and legal compliance. During that time, the number of accountability findings has ranged from three in 1999, three in 2000, one in 2002, none in 2003 and one in 2004.

City management has responded quickly to the issues noted in prior findings. The Mayor, City Council, department directors and staff have demonstrated a strong commitment to comply with state laws and the City's own ordinances and policies.

The City Auditor continually reviews operations and makes recommendations for improved internal controls. In certain instances, the City Auditor conducts follow-up procedures related to issues that have resulted from our audits.

## ***ELECTED OFFICIALS***

These officials served during the audit period:

Mayor

Council Members:

Greg Nickels

Jim Compton

Richard Conlin

David J. Della

Jean Godden

Nick Licata

Richard J. McIver

Tom Rasmussen

Peter Steinbrueck

Thomas Carr

City Attorney

## ***APPOINTED OFFICIALS***

Director of Finance

Dwight Dively

**ADDRESS**

City

City Hall  
600 4<sup>th</sup> Avenue  
P.O. Box 94726  
Seattle, WA 98124-4726  
[www.seattle.gov](http://www.seattle.gov)

# Audit Areas Examined

## City of Seattle King County November 22, 2006

In keeping with general auditing practices, we do not examine every portion of the City of Seattle's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

### **ACCOUNTABILITY FOR PUBLIC RESOURCES**

We evaluated the City's accountability in the following areas:

- Inappropriate use of restricted funds
- Gas and diesel inventory
- Business improvement districts
- Proceeds from surplus land sales to proper fund
- Transfer station cash receipting
- Supplies inventory
- Parking pay station revenue
- Community center receipting
- Seattle Center revenues and receivables
- Payroll

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Bond covenants and inappropriate use of debt proceeds
- Risk of exceeding taxing authority
- Prevailing wages
- Compensation of elected officials
- Use of Fire Facilities Levy
- Use of the Community Development Fund for Southeast Seattle
- Police Department citation control
- Open Public Meetings Act
- Use of real estate excise taxes
- Limitations on utility taxes
- Limitations of indebtedness
- Inappropriate use of state grants
- Competitive bid laws
- Conflict of interest
- Use of Families and Education Levy
- Allowable use of credit cards
- Selection requirements for architectural and engineering firms
- Travel
- Agreements
- Transferable development rights

### **FEDERAL PROGRAMS**

We evaluated internal controls and tested compliance with federal program requirements, as applicable, for the City's major federal programs, which are listed in the Federal Summary section of the financial statement and single audit report.

## ***FINANCIAL AREAS***

Our opinion on the City's financial statements is provided in a separate report. That report includes the City's financial statements and other required financial information. We examined the financial activity and balances of the City including:

- Cash and investments
- Revenues
- Expenditures
- Overall presentation of the financial statements
- Long-term debt
- Capital assets
- Internal activities
- Subsequent events