



**SHORELINE  
CITY COUNCIL**

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Deputy Mayor

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9/27/2019

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED  
UNDER UNIFORM GUIDANCE**

**City of Shoreline  
January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b>  2018-001	<b>Finding caption:</b> The City's internal controls over accounting and financial reporting were inadequate to ensure financial statements were accurate and complete.
<b>Name, address, and telephone of City contact person:</b> Sara Lane City of Shoreline 17500 Midvale Ave N Shoreline, WA 98133	



**Corrective action the auditee plans to take in response to the finding:**

**1) Net Investment in Capital Assets - Internal Service Fund**

The City is committed to process improvement, and one that we implemented for the 2018 financial report is automating the statements, using a program that pulls account balances directly from the financial system into Excel templates. There is a substantial amount of set up work, but once completed, the process greatly reduces the risk of errors in translating g/l balances into the YE financial report. There was considerable testing and review that went into this transition with the recreation of 2017 financial statements and reconciliation of the statements produced from with new tool to the manually prepared statements from 2017. Despite our review efforts the internal service fund net position, while correct in total, was not accurately split between Net Investment in Capital Assets and Unrestricted. The 2018 statements were reviewed by 3 different individuals, but the error, in the lower right corner of the statement, was not identified.

With the new reporting tool in-place, staff anticipate being able to produce financial statements faster. This will afford additional time for review including comparison with prior years' statements at a more detailed line item level to identify issues such as this one, and the use of a 3-year trend analysis like that used by the Auditors to help identify other potential areas of concern. Additionally, now that the City is aware that changes can be made to the financial statements after the May 30<sup>th</sup> deadline, but prior to the beginning of the audit, review can continue if necessary, to resolve any concerns identified during the review.

**2) Due to and Due from Other Governments – Wastewater Enterprise Fund**

Under the terms of the operating services agreement between Ronald Wastewater District and the City of Shoreline, the city performs the day to day operations of the district and pays most of the expenses generated by the operations. Originally, the City and the district anticipated that the district would provide funding on a quarterly basis, in advance, to fund the operations. However, after transition to the new operating structure, the city found that the amount of funds it was collecting on behalf of the district, accounted for as being due to RWD, offset a large portion of the operating expense. For this reason, it was not necessary to invoice the district quarterly for advance funds based on budgeted expenses, as the combination of the two would mean the city would have surplus funds. The city accounted for the amount due from the district for the operation of the wastewater utility under the terms of the operating agreement as revenue and due from the district (Due From). The funds being collected by the City on the district's behalf were accounted for separately as a liability/due to the district to ensure transparency, particularly should the district's Board of Commissioners question whether the district was receiving the full benefit of funds collected on its behalf (Due to). There is no dispute that the net amount is accurate, but the city believed reporting it as gross due to and due from provided this additional transparency, even though it was unusual in nature. The SAO determined that this was not acceptable, and the city has now netted the number to the actual amount due to the district as of year-end. This change made no impact to the Fund or City's net position.



**Anticipated date to complete the corrective action: 6/30/3020**