



TO: Hyun Kim, Interim City Manager
FROM: Susan Calderon, Assistance Finance Director/Controller
VIA: Andy Cherullo, Finance Director
COPY: Government Performance and Finance Committee; Audit Advisory Board; Chantra Real, Office Manager
PRESENTER: Wendy Choy, State Auditor's Office Assistant Director, Judy Ly, State Auditor's Office Assistant Audit Manager, and Jason Starr, State Auditor's Office Assistant Auditor
SUBJECT: State Auditor's Office – 2023 Exit Conference- City of Tacoma Accountability Audit
DATE: July 15, 2025

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

The Government Performance and Finance Committee and Audit Advisory Board meets as needed to review communications from external auditors. At the July 15, 2025, meeting, the State Auditor's Office (SAO) will conduct a 2023 Accountability audit exit conference with the Committee.

- The City's 2023 Accountability Audit had a management letter issued related to lack of internal controls to ensure employees were not paid for time not worked.

The City will be developing a training to supervisors to ensure proper review of employee activity before approving hours worked. As well as, updating its payroll policy to include supervisory review and approval process to verify employees are working during the times they documented on their timesheets.

BACKGROUND:

The City is required to be audited each year by the SAO. The SAO conducts three (3) types of audits on the City:

- **Financial Audit** – provides an independent opinion of a local government's financial statements and the results of its operations and cashflows (i.e., do the financial statements present a reliable and accurate picture of the local government's finances).
- **Federal Audit (Single Audit)**– when a local government expends Federal funds in excess of \$750,000, either directly or as a pass-through, it is required to comply federal requirements such as the Uniform Guidance, Title 2 U.S. Code of Federal Regulations (CFR) Part 200.
- **Accountability Audit** – evaluates whether a local government has adhered to applicable state laws, regulations and the local government's own policies and procedures.

The SAO has three different levels of reporting:

- **Exit item**- this is a recommendation for management's consideration to address control deficiencies or noncompliance with laws or regulation that have an insignificant or immaterial effect on the entity, or immaterial effect on the financial statements.
- **Management letter** – this communicates control deficiencies, noncompliance, or abuse with a less-than-material effect on the financial statements or other items significant to the audit.
- **Finding**- this communicates either significant deficiencies or material weaknesses in the design or operation of internal control over major federal programs.



ISSUE

During the City's 2023 Accountability Audit, the City notified the SAO on December 4, 2023, December 31, 2024 and January 29, 2024, of potential losses of public funds, as required by state law. In each of the reported losses, the City performed an investigation and provided files to the SAO. SAO reviewed the files and found the following:

- The City paid an Engineering Technician in the TPU Power Generation Department, \$4,253 between January 2023 and August 2024 for hours not worked.
- The City originally thought it paid an Advanced Meter Field Investigator \$3,737 between April 2023 and October 2024 for hours not worked in the TPU Customer Experience & External Affairs Department. However, their investigation determined there was no loss.
- The City paid an Engineering Technician in the Public Works Transportation Division \$13,350 between June 2023 and October 2023 for hours not worked.

In all instances, due to payroll monitoring weaknesses, SAO determined the amounts paid for hours claimed as worked by each employee, were questionable.

The SAO has issued a management letter on the City's 2023 Accountability audit related to lack of internal controls to ensure employees were not paid for time not worked.

ALTERNATIVES:

This is an information briefing only. There are no alternatives presented.

FISCAL IMPACT:

This is an information briefing only. There is no fiscal impact.

RECOMMENDATION:

This is an information briefing only. There is no recommendation.