



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

October 18, 2017

Mayor and City Council  
City of Tacoma  
Tacoma, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our financial statement audit of the City of Tacoma from January 1, 2016 through December 31, 2016. We believe our recommendations will assist you in improving the City's internal controls and 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 of Tacoma officials and personnel. If you have any further questions, please contact me at (253) 593-2047 ext. 128.

This letter is intended for the information and use of management and the governing body. 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 the cooperation and assistance given during the course of the audit.

Sincerely,

Joanne Klein, Audit Manager

Attachment

Management Letter  
City of Tacoma  
January 1, 2016 through December 31, 2016

### Capital Assets

The City of Tacoma reports the financial statements in accordance with generally accepted accounting principles (GAAP), which include requirements of proper classification, presentation and disclosure of financial information in the statements, notes and required supplementary information.

Management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements are fairly presented and provide reasonable assurance regarding the reliability of those statements.

During our financial statement audit, we identified a control deficiency over financial statement preparation relating to complete and accurate reporting of capital assets. We reported similar recommendations during our prior audit.

During our current work, we identified the following errors:

- Governmental fund Construction Work in Process was over-reported by about \$5 million. These projects closed before December 31, 2016 and should have been capitalized during the years they were completed (2013, 2015, or 2016).
- Capital Assets were overstated by \$564,000, related to a project posted twice to the Capital Asset account.
- Due to a calculation error, Depreciation was under-reported by \$16,600.

Because of not capitalizing promptly, the property, plant and equipment account was under-reported by at least \$5 million. The associated accumulated depreciation was under-reported by at least \$200,000.

While the City has made improvements to its process, we continue to recommend the City strengthen internal controls to ensure capital assets in the financial statements are complete, properly classified and reviewed to ensure accurate financial reporting.



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

October 18, 2017

Mayor and City Council  
City of Tacoma  
747 Market St.  
Tacoma, WA 98402

Dear Mayor and City Council:

In 2015, the Tacoma Police Department completed an investigation of a former police officer's reported payroll to determine if the former officer was paid for working the same hours by more than one public entity. We became aware of the Department's investigation after reviewing an article in the Tacoma News Tribune in 2016 and through discussions with Port staff during our annual audit at the Port of Tacoma. The City did not report suspected instance of loss to our Office as required by state law (RCW 43.09.185).

The former police officer retired from the City in October 2015. The Department investigated and determined the City paid the former officer \$3,547 for 63 overlapping hours also reported at other agencies between October 2012 and October 2015. The Department's investigation was limited to a three-year period, covering three of the four years the former officer worked at Port of Tacoma.

We reviewed the Department's investigation and do not agree with its conclusions because the police department relies on a time-tracking system for reporting hours officers are scheduled to work. Officers are supposed to update the time tracking system each day there is an exception to the assigned schedule. However, the time tracking system is not updated on a consistent basis nor reviewed by supervisors to ensure this system is accurate. We found 38 of the 63 hours noted, relating to overlapping times when the officer left his Port position and worked at the City. These times were anywhere from 15 to 360 minutes after his City start time. Based on interview, the former police officer said his work started later but he worked his full shift. There is no way to corroborate this since the City lacks a time tracking system for its officers. As a result, we did not agree with the investigation's conclusions on these hours.

Based on our review of the investigation and additional work we performed, we questioned 25 of the 63 overlapping hours, which amounted to \$1,413 of pay, that were claimed by the former police officer. These were for hours he also reported to be working at the Tacoma Mall (1.5 hours) and Pierce Transit (23.5 hours) locations. Due to control weaknesses and lack of documentation, it is not clear if these hours were overpaid or the result of a schedule change not updated in the time tracking system.

The Department referred the case to the Pierce County Prosecutor's Office. The case was dismissed in October 2016.

Internal controls at the Department were not adequate to safeguard public resources.

We recommend the Department strengthen internal controls over payroll reporting and processing to ensure adequate oversight and monitoring to safeguard public resources.

Further, we recommend the City ensure all staff understand the requirements to immediately report known or suspected loss of public funds or assets, or other illegal activity, to our Office, and to implement policies and procedures to ensure the reporting occurs.

We thank the City for its cooperation and assistance. If you have any questions about this investigation, please contact me at (509) 454-3621 or [Sarah.Walker@sao.wa.gov](mailto:Sarah.Walker@sao.wa.gov).

Sincerely,



**Sarah Walker, CFE**  
Fraud Manager