

# Exit Conference

City of Tacoma – Single & Accountability Audit

January 1, 2021 – December 31, 2021

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February 7, 2023

*Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov).*



Office of the  
Washington  
State Auditor  
Pat McCarthy

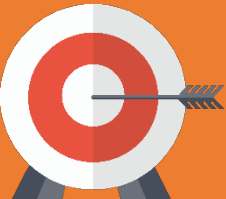
# Results that Matter



**Increased trust in government**



**Independent, transparent examinations**



**Improved efficiency and effectiveness of government**



Pat McCarthy  
State Auditor

# Accountability Audit Results

January 1, 2021 through December 31, 2021



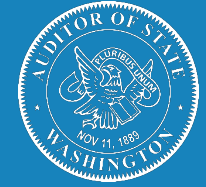
## Results in Brief

This report describes the overall results and conclusions for the areas we examined.

In those selected areas, City operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

# Accountability Audit Results



Using a risk-based audit approach, for the City we examined the following areas during the period:

- Police Department – bonus and incentive payments and small and attractive assets
- Payroll – overtime in the Tacoma Public Library, Public Works, Tacoma Public Utilities (TPU) Power Division, and TPU Customer Service
- Radio Communication Equipment Department (fund 5540) – compliance with procurement requirements for purchases, cooperative purchases, purchasing exemptions , and professional services
- TPU Power – credit cards and employee recognition program
- Accounts payable, general disbursements, and cash receipting for Department of Tacoma Venue and Events divisions including City-owned theaters, Cheney Stadium, Office of Arts & Cultural Vitality and Special Events Program
- Cash receipting – timeliness and completeness of deposits at TPU Parks, TPU Customer Service, South Tacoma Library, and Tacoma Grow (TAGRO)
- Financial data availability for financial and accountability audits
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

# Accountability Audit – Management Letter



Office of the Washington State Auditor  
Pat McCarthy

February 7, 2023

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 accountability audit of the City of Tacoma from January 1, 2021 through December 31, 2021. We believe our recommendations will assist you in improving the City's internal controls 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 officials and personnel. If you have any further questions, please contact me at (253) 523-3037.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. 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 their cooperation and assistance during the audit.

Sincerely,

## Management Letter

City of Tacoma  
January 1, 2021 through December 31, 2021

### Cash Receipting and Depositing

The City of Tacoma has approximately \$271,000 of petty cash and change funds. The Treasury Department is responsible for keeping track of the City's cash receipting locations, petty cash and change fund locations and authorized balances, training City staff responsible for cash receipting, and granting waivers for the requirement to deposit money within 24 hours of receiving it.

We noted multiple issues over cash receipting during our audit, as follows:

#### *Cash Receipting Locations*

The Treasury Department could not provide an accurate list of cash receipting locations, petty cash and change fund locations, and authorized balances for all City departments. The Treasury Manager does not plan to do a full reconciliation of cash receipting locations and balances until late 2023 when the City intends to change banks.

We noted variances between the authorized balances and number of tills on the list maintained by the Treasury Department and actual balances and tills at the locations. Specifically:

- CLICK! tills were listed on the cash receipting list; however, CLICK! was dissolved in April 2020 and is no longer in operation.
- We noted three locations where the authorized balances and number of tills on the cash receipting list did not match what was at the location.

Additionally, we noted one location where cashier staff share the same cash drawer without mitigating controls, and another location where one till could not be accessed because staff did not know who had the combination to open it.

We recommend the City keep a current and accurate list of cash receipting locations, petty cash and change fund locations, and authorized balances for all City departments. We also recommend the City implement mitigating controls when staff share the same cash drawer and update safe combinations when staff changes occur.

#### *Deposit Timeliness*

RCW 43.09.240 requires governments to deposit all money collected or received once every 24 consecutive hours. The treasurer may grant an exception as long as money is held with proper safekeeping and deposits do not exceed a time period greater than one deposit per week. During our deposit testing at the selected locations, we found the following exceptions:

Please see your exit  
packet to view the  
details of this  
recommendation

# Federal Grant Compliance Audit Results

January 1, 2021 through December 31, 2021



## Adverse and Unmodified Opinions Issued

- Unmodified Opinions issued on the City's compliance with requirements applicable to its major programs with the exception of Emergency Rental Assistance and Coronavirus State and Local Fiscal Recovery Funds on which we issued an adverse opinion
- Audit conducted in accordance with *Government Auditing Standards* and the Uniform Guidance

## Internal Control and Compliance over Major Programs

- We reported no significant deficiencies in internal control
- We identified deficiencies that we consider to be material weaknesses
- We noted instances of noncompliance that are required to be reported

# Major Programs Selected for Audit



ALN	Program or Cluster Title	Total Amount Expended
14.231	COVID-19 Emergency Solutions Grant	\$2,793,552
21.023	COVID-19 Emergency Rental Assistance Program	\$7,269,274
21.027	COVID-19 Coronavirus State & Local Fiscal Recovery	\$6,213,832
59.075	COVID-19 Shuttered Venue Operators Grant	\$5,851,007
66.958	Water Infrastructure Finance and Innovation	\$15,026,875

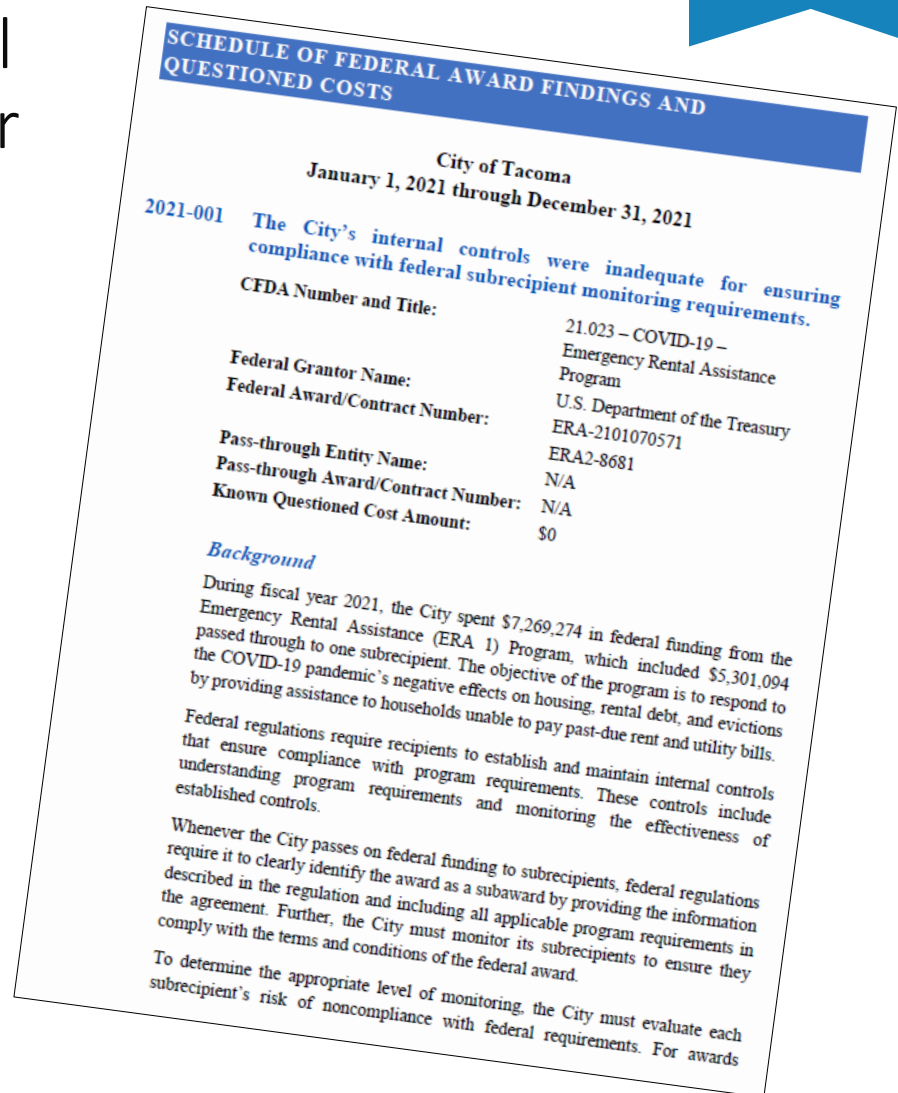
These costs amount to approximately 60% percent of the total federal expenditures for 2021.

# Single Audit - Finding



2021-001: The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.

Please see your exit packet to view the details of this recommendation





# Single Audit - Finding



2021-002: The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.

Please see your exit packet to view the details of this recommendation

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

City of Tacoma  
January 1, 2021 through December 31, 2021

**2021-002** The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.

CFDA Number and Title:	21.027 - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

**Background**

The objectives of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. During fiscal year 2021, the City spent \$6,209,032 in program funds for these activities.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

**Suspension and Debarment**

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it

# Single Audit - Finding



2021-003: The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.

Please see your exit packet to view the details of this recommendation

**SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2021-003** *The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.*

<b>CFDA Number and Title:</b>	66.958 – Water Infrastructure Finance and Innovation (WIFIA)
<b>Federal Grantor Name:</b>	Environmental Protection Agency
<b>Federal Award/Contract Number:</b>	N1911WA
<b>Pass-through Entity Name:</b>	Environmental Protection Agency
<b>Pass-through Award/Contract Number:</b>	N/A
<b>Known Questioned Cost Amount:</b>	\$0

**Background**

The purpose of the Water Infrastructure Finance and Innovation (WIFIA) grant is to provide long-term, low-cost, supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance. The WIFIA Act of 2014 established this federal credit program, which the U.S. Environmental Protection Agency administers directly to borrowers. The program offers loans to creditworthy borrowers for up to 49 percent of eligible project costs.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor has not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking the System for Award Management (SAM.gov) for exclusion records. The City must perform this verification before awarding the contract or paying the contractor more than \$25,000, and it must keep documentation demonstrating compliance with this federal requirement.

# Closing Remarks

- Audit costs are in alignment with our original estimate.
- Next audit: March 2023
  - Accountability for public resources – 2022
  - Financial statement – 2022
  - Annual Comprehensive Financial Report Letter – 2022
  - Federal Programs – 2022

An estimated cost for the next audit has been provided in our exit packet.





# Report Publication

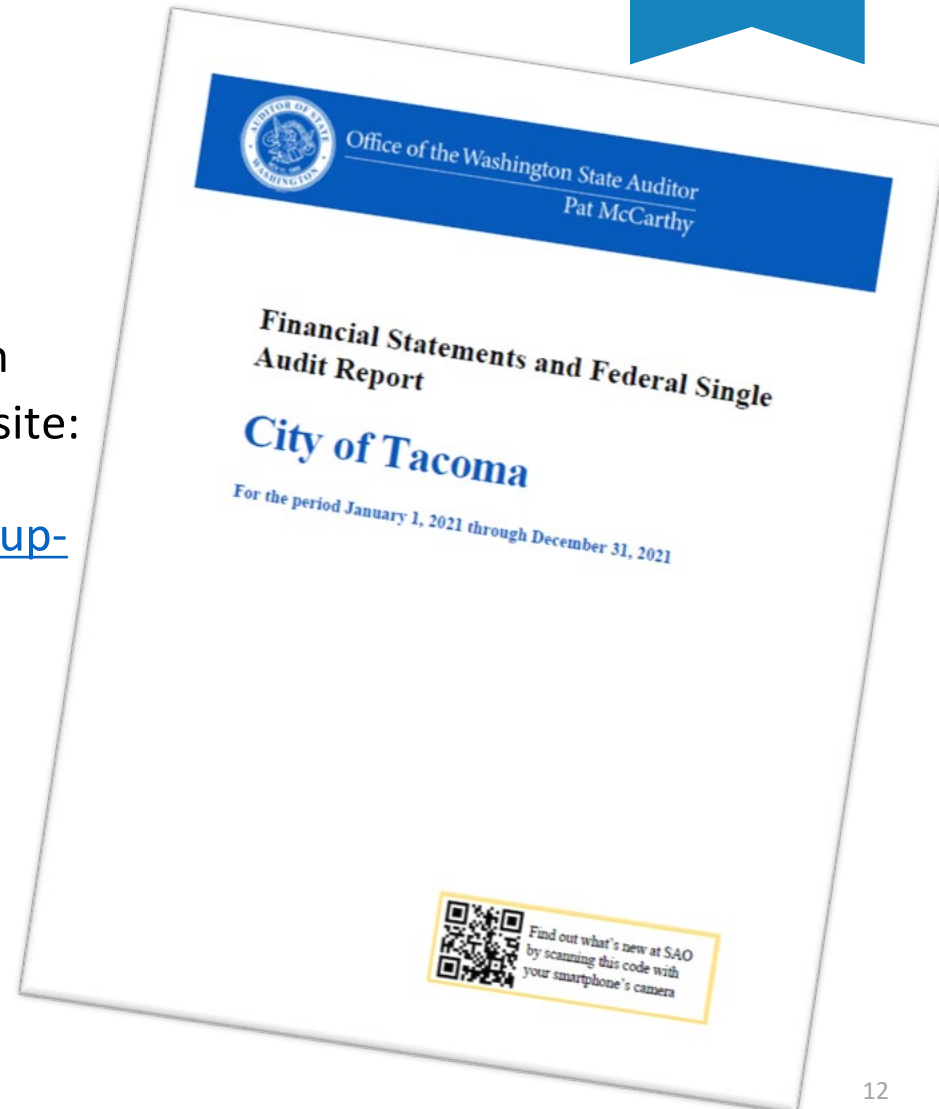
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## Audit Survey

When your report is released, you will receive an audit survey from us.

We value your opinions on our audit services and hope you provide feedback.



# Thank You!



- We thank City officials and staff for timely communications throughout the audit process.
- In particular, we would like to thank Kristy Magyar, Senior Finance Manager; Su Yi, Finance Manager; and Susan Calderon, Assistant Financial Director/Controller, for providing clear and helpful direction to our staff to help get the audit completed. They were essential to the success of this year's audit.

# Questions?



Contact: Sandra Groshong, Audit Manager

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(253) 523-3037