



TO: Elizabeth Pauli, City Manager
FROM: Susan Calderon, Assistance Finance Director/Controller
VIA: Andy Cherullo, Finance Director
COPY: Government Performance and Finance Committee; Audit Advisory Board; D’Angelo Baker, City Council Assistant
PRESENTER: Saundra Groshong, State Auditor’s Office Audit Manager, Judy Ly, State Auditor’s Office Assistant Audit Manager, and Jason Starr, State Auditor’s Office Assistant Auditor
SUBJECT: State Auditor’s Office – 2022 and 2023 Transportation Benefit District (TBD) Exit Financial Audit and 2023 Exit Conference- Financial and Federal audit
DATE: November 19, 2024

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

The Audit Advisory Board meets as needed to review communications from external auditors. At the November 19, 2024 meeting, the State Auditor’s Office (SAO) will conduct a 2022 & 2023 Financial audit exit conference for the Transportation Benefit District and the City’s 2023 Financial and Federal audit exit conference with the Board.

- The City’s 2023 Financial Audit received a clean (unmodified) report.
- The 2022 & 2023 Financial audit for the Transportation Benefit District received a clean (unmodified) report and received an exit item regarding the report publication requirement per RCW.
- The City’s 2023 Federal Audit had a finding, a management letter and several exit items.

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 Federal Audit, the SAO identified that federal wage rate requirement language wasn't included in a contract that was grant funded and Federal Funding Accountability and Transparency Act (FFATA) reports were not prepared or submitted. This caused the SAO to issue a finding on the Community Development Block Grant (CDBG).

Also, the City will be receiving a Management letter on the following items:

- Errors contained in the City's Schedule of Expenditures of Federal Awards (SEFA)
- Errors and late submittal of reports for the Economic Adjustment Assistance Program
- Quarterly reports submitted contained inaccurate amounts for the Coronavirus State and Local Fiscal Recovery Funds (SLRF or commonly called American Rescue Plan Act (ARPA))

Finally, the City will also be receiving several exit items that relate to the lack of a formal written agreement between the City and Tacoma Community Redevelopment Authority to administer the Revolving Loan Fund; staff charging time to grant through an auto distribution and lack of documentation for subrecipient monitoring.

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.