



# Office of the Washington State Auditor

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## Pat McCarthy

## **City of Tacoma 2016 Exit and 2017 Entrance Conference**

Government Performance and Finance Committee and  
Audit Advisory Board  
March 20, 2018

Joanne Klein, Audit Manager  
Linda Mastin, Assistant Audit Manager

# About our Office

The Washington State Auditor's Office holds state and local governments accountable for the use of public resources. Our goal is government that works better, costs less and earns greater public trust.



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# Today's Presentation

- 2016 Accountability Audit results
- 2017 Financial, Federal and Accountability Audit
- Other information
- Contacts



# 2016 Accountability Audit Report

## **In the areas we examined, we found:**

- The City's internal controls were adequate to safeguard public assets.
- The City complied with state laws and regulations and its own policies and procedures.

# Audit Highlights

- We appreciate City staff's responsiveness and professionalism
- Thank you to the staff in the City's finance and other departments for working with us and sharing their knowledge about the City:
  - Andy Cherullo
  - Susan Calderon
  - Paula Barry
  - Su Yi
  - Michael San Soucie
  - Francesca Heard
  - JoAleen Ainslie
  - Destiny Logan
  - Steve Hatcher
  - Kari Louie
  - Patsy Best
  - Angela Hardy
  - John Lawrence
  - Sgt. Daniel Grant
  - Saada Gegoux
  - Lt. Frank Krause
  - Lt. Chris Travis
  - Mike Fitzgerald

# 2016 Departments Audited

## **Police Department**

- ❑ Reviewed internal controls for payroll, confidential funds and seized funds
- ❑ Ensured confidential fund expenditures are supported and intact

## **Fire Department**

- ❑ Ensured billings and adjustments are properly supported and approved
- ❑ Reviewed internal controls and test small and attractive assets.

## **Self-insurance**

- ❑ Evaluated the entity risk management practices.
- ❑ Determined programs are self insured

# 2016 Legal Compliance Areas Audited

## Cash receipting

- ❑ Reviewed internal controls and ensured funds received were properly receipted and accounted for at the following locations: Permit Department, Municipal Court, Click! Cable TV, TPU customer service, and Water & Power permitting Department
- ❑ Performed unannounced cash counts

## Bid law and procurement

- ❑ Reviewed internal controls over bid law and procurement.
- ❑ Determined if contract extensions and change orders are approved and within the scope of the original contract.
- ❑ Determined if use of piggybacking is in compliance with bid law.

# 2016 Legal Compliance Areas, Continued

- **Travel and relocation expenses**

- ☐ Reviewed internal controls over re-location, temporary housing and travel expenses

## **Citizen concerns**

- ☐ TPU contract amendment
- ☐ TPU Director severance



# Related Reports 2016

- **Financial**

- We evaluated the City's financial statements and internal controls over financial reporting in a separate report.

- **Federal grant programs**

- We evaluated internal controls and tested compliance with federal program requirements, for major federal programs.

- **Energy Independence Act evaluation**

- Tacoma Power complied, in all material respects, with the Act's renewable energy requirements.

- **Fraud letter**

- We noted certain matters we reported to Management in October 2017 regarding overlapping hours for a police officer.

# Additional Information

## Audit Cost

We estimated the cost of the 2016 audit to be \$349,000 (3,750 hours at \$93/hour) for the City's accountability, financial statement and single audits. Our actual audit costs will be closer to \$280,000.

## Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at:

<https://portal.sao.wa.gov/saoportal/Login.aspx>

## Audit Survey

When your Accountability report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.



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# 2017 Audit Scope

Audit	Description	Audit Period
Financial Statement/ Comprehensive Annual Financial Report	To provide an opinion on whether the City's financial statements are presented fairly, in all material respects, in accordance with Government Auditing Standards.	January 2017- December 2017
Federal Grant Compliance	To determine whether there is compliance with federal requirements that could have a direct and material effect on a major federal program and to report on noncompliance.	January 2017- December 2017
Accountability	To determine if controls are in place to protect public resources and if the City is in compliance with laws and regulations relating to financial matters.	January 2017- December 2017

# Audit Timeline

Audit Area/Report	2018
SAO begins financial planning	February 15
SAO begins updating internal controls work	February 15
City submits final SEFA	April 1
City submits fund financial statements	April 1
City submits financial statements	May 4
SAO issues CAFR letter	June 20
SAO issues federal and financial audit report	August 15

# Other Information

- Our Office is committed to protecting your confidential or sensitive information. Please notify us when you give us any documents, records, files or data containing information that is covered by confidentiality or privacy laws.
- Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.
- Local governments are required to immediately notify our Office in the event of a known or suspected loss of public resources or other illegal activity. These notifications can be made on our website at <http://portal.sao.wa.gov/saoportal/public.aspx/LossReport>.

# Expected Communications

- During the course of the audit, we communicate with Susan Calderon, CPA, Assistant Finance Director/Controller and Paula Barry, Accounting Services Division Manager on the audit status, any significant changes and preliminary results or recommendations as they are developed.
- Please let us know if any events or concerns come to your attention of which we should be aware.
- At the conclusion of the audit, we summarize the results at an exit conference.

# New Accounting Standards

- GASB Statement No. 74 – *Financial Reporting for Post Employment Benefit Plans other than Pension Plans*, effective after June 15, 2017
- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, effective after June 15, 2018
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units*, effective after June 15, 2017
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective after December 15, 2017
- GASB Statement No. 82 – *Pension Issues – Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective after June 15, 2017
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective after June 15, 2019
- GASB Statement No. 84 – *Fiduciary Activities* , effective after December 15, 2019
- GASB Statement No. 85 – *2017 Omnibus*, effective after June 30, 2018



# Contacts

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