



**TO:** Hyun Kim, 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  
**PRESENTER:** Saundra Groshong, 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 – 2024 Exit Conference- City of Tacoma Accountability Audit  
**DATE:** April 21, 2026

**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 April 21, 2026, meeting, the State Auditor’s Office (SAO) will conduct a 2024 Accountability audit exit conference with the Committee.

- The City’s 2024 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 2024 Accountability Audit, the City notified the SAO on August 26, 2025, of potential loss of public funds, as required by state law. In 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 five Line Clearance Tree Trimmers in the TPU Power Transmission and Distribution Department, \$4,915 between October 2024 and December 2024 for hours not worked.

Based on the SAO’s review of the City’s investigation, due to payroll monitoring weaknesses, it determined that \$2,409 paid for hours not worked was misappropriated and \$2,506 were questionable costs.

The SAO has issued a management letter on the City’s 2024 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.