



Exit Recommendations  
City of Mercer Island  
Audit Period Ending: 12/31/2019

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We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

**Accountability:**

**Performance Awards (Bonus & Incentive Payments)**

We reviewed the City's Pay-for-Performance and Employee Recognition program. We determined payments for Performance and Other Awards are allowable. However, we noted the following:

- One employee received an additional performance award to "true up" a prior award, based on an oral agreement between the employee and former City Manager. The City did not have any written documentation to support the decision and the City did not comply with its own policies when awarding the additional performance award.
- City policy requires the City Manager, Human Resources, Department Director, and Finance Director to approve a monetary award of \$250 or more. We noted one instance where an award was given to an employee who is one of the required approving signatories for the award, but the City did not obtain an approving signature from another designated signor in place of the employee who received the award.

We recommend the City:

- Ensures supporting documentation for Pay for Performance awards is retained and the City abides by its policies when awarding these awards.
- Addresses signatory controls for situations when the award is given to one of the required approvers as a best practice.

**Financial Statements:**

**Payroll Accrual**

The City does not accrue payroll at year-end to ensure it is reported in the correct fiscal period. We calculated the amount of payroll expenditures that were posted to FY2019 that should have been accrued back to 12/31/2018 (2018 expenditures posted to 2019). We also calculated the amount of payroll expenditures that were posted to FY2020 that should have been accrued back to 12/31/2019 (2019 expenditures posted to 2020). Based on our calculation, we determined FY2019 payroll is overstated by \$71,532.

We recommend the City establish policies and procedures to accrue payroll to the proper reporting period in accordance with GAAP.



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**Journal Entry Review**

Based on our review of journal entries and confirmation of controls over the financial statement preparation, we noted the City's journal entry coversheets does not contain a signature or name of the preparer and reviewer.

We recommend the preparer and reviewer of journal entries sign journal entry coversheets to ensure accountability of duties and roles assigned to individuals.

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