

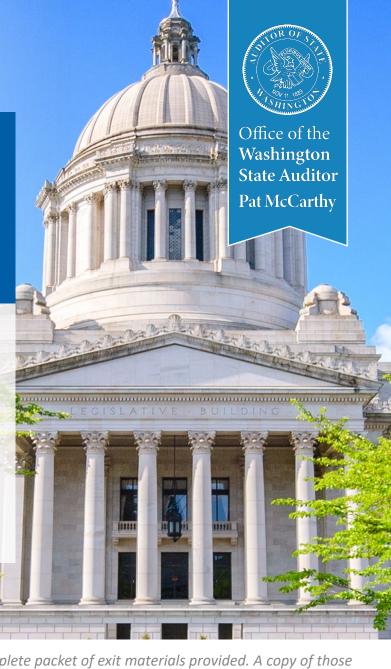
City of Mercer Island

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Audit Supervisor

May 21, 2024



## Results that Matter





**Increased trust in government** 



Independent, transparent examinations



Improved efficiency and effectiveness of government





- We would like to thank LaJuan Tuttle, Deputy Finance Director, as well as other City staff for their cooperation and timely responses to our requests throughout the audit, especially since the audit was performed in a remote environment.
- We thank the City for its commitment to strengthen the relationship with the Office of the Washington State Auditor.

## Accountability Audit Results

January 1, 2022 through December 31, 2022

#### 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:

- Accounts receivable utility billing
- Utilities Department cash receipting
- Accounts payable credit cards
- Self insurance with unemployment compensation and paid family and medical leave
- Open public meetings compliance with minutes, meetings and executive session requirements
- Financial condition reviewing for indications of financial distress



## Financial Audit Results

January 1, 2022 through December 31, 2022



## Unmodified Opinion Issued

- Opinion issued in accordance with U.S. GAAP
- Audit conducted in accordance with Government Auditing Standards

Internal Control and Compliance over Financial Reporting

- We reported no significant deficiencies in internal control.
- We identified deficiencies that we consider to be material weaknesses.
- We noted no instances of noncompliance that were material to the financial statements of the City.

## Financial Audit Results



Required Communications

• Uncorrected misstatements have been provided for review.

## Financial Audit Results



The audit addressed the following risks, which required special consideration:

Management override of controls

## Financial Audit - Finding



2022-001: The City's internal controls were inadequate for ensuring proper revenue recognition for funds received in advance.

> Please see pages 14-17 of your exit packet to view the details of this recommendation

#### SCHEDULE OF AUDIT FINDINGS AND RESPONSES City of Mercer Island January 1, 2022 through December 31, 2022 2022-001 The City's internal controls were inadequate for ensuring proper revenue recognition for funds received in advance.

State and federal agencies, the City Council and the public rely on information state and reversal agencies, the City Council and the phone rety on information included in the financial statements and reports to make decisions. Management is included in the manicial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable responsione for designing and following internal composs that provide reasonable assurance the City's financial reporting is reliable and its financial statements are

The City prepares its financial statements in accordance with generally accepted

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the City's ability to produce reliable financial statements. reporting that affected the City's ability to produce remainer maintain statements.

Government Auditing Standards requires the State Auditor's Office to communicate material weaknesses in internal controls as a finding. Description of Condition

In 2022, the City received \$3,617,659 in federal financial assistance from the in 2022, the City received 33,017,039 in leaderst imancial assistance from the Coronavirus State and Local Fiscal Recovery Funds, which is a program funded through the American Rescue Plan Act of 2021 (ARPA). During the audit period the City incurred eligible program expenditures of \$1,070,885.

We found a deficiency in internal controls over the City's financial reporting that we tout a dericiency in internal controls over the City s manifest reporting that represents a material weakness. Specifically, the City did not properly evaluate represents a material weakness, specifically, the City out not property evaluate whether it had met revenue recognition criteria for grants it received in advance. witcher it has the revenue recognitives as required to recognize the grant funds

### Cause of Condition

The City typically receives grant funding on a reimbursement basis, under which it the City typicany receives gram minoring on a remioniscincial basis, under which incurs eligible expenditures before receiving grant funding. The City received

# SLFRF Compliance Examination Results

January 1, 2022 through December 31, 2022



- In our opinion, the City complied, in all material respects, with the compliance requirements during the audit period.
- Examination conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards.

Internal Control and Compliance over SLFRF Program

- We identified no significant deficiencies or material weakness in internal control.
- We noted no instances of noncompliance that are required to be reported.





# Major Programs Selected for Audit



ALN	Program or Cluster Title	Total Amount Expended
21.027	COVID 19 – Coronavirus State and Local Fiscal Recovery Funds	\$1,070,885

These costs amount to approximately 86 percent of the total federal expenditures for 2022.

## Closing Remarks

- Audit costs are in alignment with our original estimate.
   Next audit: July 2024
  - Accountability for public resources
  - Financial statement
  - Attestation engagement

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





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