



**Office of the Washington State Auditor
Pat McCarthy**

October 2, 2024

City Council and City Manager
City of Mercer Island
9611 SE 36th St
Mercer Island, WA 98040

We are pleased to confirm the compliance examination to be performed by the Office of the Washington State Auditor, in accordance with the provisions of the 2023 OMB Compliance Supplement, Part 8, Appendix VII, for the City of Mercer Island. This letter confirms the nature and limitations of the examination, as well as responsibilities of the parties and other engagement terms.

Office of the Washington State Auditor Responsibilities

We will perform an examination of compliance with allowable activities and cost requirements of Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number 21.027) as described in Title 31 *U.S. Code of Federal Regulations Part 35 Pandemic Relief Programs Subpart A Coronavirus State and Local Fiscal Recovery Funds* published by the Department of the Treasury. Our examination will be conducted with the objective of expressing an opinion on the City of Mercer Island's compliance with these requirements applicable to expenditures of federal financial assistance during the period January 1, 2023 ending December 31, 2023.

We will perform our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our procedures include examining on a test basis, evidence about compliance and performing such other procedures as we consider necessary in the circumstances. Our examination is designed to provide reasonable assurance about whether the City of Mercer Island complied in all material respects with the applicable requirements. Our examination does not provide a legal determination on compliance.

An examination involves performing procedures to obtain evidence about compliance with the applicable requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to compliance in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we will express no such opinion.

Although our examination is not designed to provide an opinion on the effectiveness of internal control over compliance, our responsibility includes communicating any significant deficiencies or material weaknesses in internal controls over compliance, and instances of fraud or noncompliance with laws, regulations, contracts or grant agreements that come to our attention while conducting the examination.

Data Security

Our Office is committed to appropriately safeguarding the information we obtain during the course of this examination. We have entered into a data sharing agreement with the City of Mercer Island to ensure compliance with legal requirements and Executive Directives (Executive Order 16-01, Chapter 42.56 RCW and OCIO Standard 141.10) in the handling of information considered confidential.

Reporting levels for audit issues

Issues identified through the examination process will be communicated as follows. Failure to appropriately address issues may result in escalated reporting levels.

- **Findings** formally address issues in an examination report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and non-compliance with laws, regulations or contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or a synopsis of it, will be published in our report. The Uniform Guidance defines the issues we must report as findings with regard to non-compliance and internal controls over compliance with federal grants.
- **Management letters** communicate control deficiencies or non-compliance with a less-than-material effect on compliance. Management letters are referenced, but not included, in our report.
- **Exit items** address control deficiencies or non-compliance with laws or regulations that have an insignificant or immaterial effect on compliance. These issues are informally communicated to management.

Client's Responsibilities

Management is responsible for compliance with federal requirements related to expenditures of Coronavirus State and Local Fiscal Recovery Funds. Management is also responsible for the accuracy and completeness of information provided to the auditor and will provide the Office of the Washington State Auditor with:

- The City of Mercer Island's final written assertions on compliance for examination.
- Unrestricted access to people with whom the auditors wish to speak.
- All information that is requested or relevant to auditor requests.
- Notification when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws.
- Adequate workspace and conditions, if on-site work is necessary, including interacting with auditors professionally and respectfully and promptly communicating about any issues and concerns.

Moreover, our examination does not relieve management or the governing body of their responsibilities. Management's responsibilities, with oversight from the governing body, include:

- Preparing the Schedule of Expenditures of Federal Awards in accordance with Uniform Guidance 2 CFR § 200.510 requirements
- Identifying all federal awards received.
- Selecting and applying appropriate policies to administer and report compliance.
- Understanding and complying with the provisions of laws, regulations, contracts, and grant agreements, including applicable program compliance requirements.
- Establishing and maintaining internal control over compliance, including establishing and maintaining effective controls that provide reasonable assurance that the City of Mercer Island administers government programs in compliance with the compliance requirements.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Evaluating and monitoring compliance with federal award requirements.
- Ensuring compliance with laws, regulations and provisions of contracts.
- Maintaining documentation supporting its compliance with federal requirements applicable to expenditures of Coronavirus State and Local Fiscal Recovery Funds.

- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Informing us of the City of Mercer Island’s relationships with significant vendors who are responsible for program compliance.
- Submitting the reporting package and data collection form through the Federal Audit Clearinghouse.

Client Assertion regarding Compliance

As part of commencing the engagement, the City of Mercer Island asserts that it has complied with all applicable requirements related to allowable activities and costs for expenditures of Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027) for the period January 1, 2023 through December 31, 2023.

Responsibilities at the conclusion of the examination

At the conclusion of our examination, the City of Mercer Island will provide us with a letter to confirm in writing certain express and implied representations made during the course of the engagement.

Management and the governing body are also responsible for following up and taking corrective action on all examination findings, including, when applicable, preparing a summary schedule of prior examination findings and a corrective action plan on the City of Mercer Island’s own letterhead.

Estimated Engagement Cost and Timeline

We estimate the cost of the examination work to be \$9,800. Our estimate is based on timely access to supporting information with no significant examination issues encountered. Invoices for these services will be prepared and presented each month as our work progresses. We plan to perform our examination remotely to limit travel costs, when appropriate. Travel costs will be charged in addition to the examination cost, should travel become necessary. We are providing these preliminary estimates as a budgeting tool and not a guarantee of final cost.

We anticipate our reports will be published on our website www.sao.wa.gov and will be available to you and the public as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

Report	Date*
Independent Accountant’s Report on Compliance	November 30, 2024

**Report Issuance Dates Are Estimates Only*

The examination documentation for this engagement, which may contain confidential or sensitive information, is the property of SAO and constitutes a public record under Chapter 42.56 RCW. Subject to applicable laws and regulations, appropriate individuals, as well as examination documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, the City of Mercer Island’s management and governing body, and federal agencies, for purposes of a public records request, a quality review of the examination, to resolve examination findings, or to carry out oversight responsibilities.

The examination documentation for this engagement will be retained for a minimum of five years after the report release (publish) date in accordance with the public records retention schedule established by the Washington Secretary of State.

Expected Communications

During the course of the examination, we will communicate with the City of Mercer Island’s selected liaison, LaJuan Tuttle, Deputy Finance Director, on the engagement status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed. The audit liaison is responsible for regularly updating management and the governing body on these matters. We may also provide direct communication of these matters to management and the governing body as needed or upon request.

Please contact us if any events or concerns come to your attention of which we should be aware. We will expect the liaison to keep us informed of any such matters.

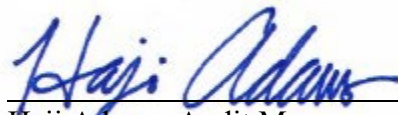
Audit Dispute Process

Please contact the Program Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our engagement. At the conclusion of the examination, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the examination and their resolution.

By signing and returning this letter, you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Sincerely,

 10/2/24

Haji Adams, Audit Manager Date
Office of the Washington State Auditor

City’s Response:

This letter correctly sets forth our understanding.

 10/9/2024

Jessi Bon, City Manager Date

 10/07/2024

LaJuan Tuttle, Deputy Finance Director Date