

# Exit Conference

City of Mercer Island

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December 3, 2024



Office of the  
Washington  
State Auditor  
Pat McCarthy

*Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov).*

# Results that Matter



**Increased trust in government**



**Independent, transparent examinations**



**Improved efficiency and effectiveness of government**



Pat McCarthy  
State Auditor

# Accountability Audit Results

January 1, 2023 through December 31, 2023



## Results in Brief

This report describes the overall results and conclusions for the areas we examined.

In those selected areas, the 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:

- Procurement – public works
- Accounts receivable – utility rates
- Accounts payable – general disbursements
- Financial condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings, and executive session requirements

# Financial Audit Results

January 1, 2023 through December 31, 2023



## Unmodified Opinion Issued

- Opinion issued in accordance with BARS Manual
- 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 no 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

- We did not identify any material misstatements during the audit
- Uncorrected misstatement has been provided for review

# Financial Audit Results

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

Management override of controls

GASB 96



# SLFRF Compliance Examination Results

January 1, 2023 through December 31, 2023



## Unmodified Opinion Issued

- 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	\$1,206,378

These costs amount to approximately 77 percent of the total federal expenditures for 2023.

# Summary Schedule of Prior Audit Findings



- Status of the City's Corrective Action Taken: Fully Corrected
- Specific corrective actions taken are described in schedule on page 14 of your packet

**CITY OF MERCER ISLAND WASHINGTON**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
January 1, 2022 through December 31, 2022  
City of Mercer Island

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2022 through December 31, 2022	Report Ref. No.: 1034826	Finding Ref. No.: 2022-001
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**Finding Caption:**  
The City's internal controls were inadequate for ensuring proper revenue recognition for funds received in advance.

**Background:**  
During 2022, the City received \$3,617,659 in federal financial 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.

In this instance the City received Coronavirus State and Local Fiscal Recovery funds before it incurred eligible expenditures. However, the City did not properly evaluate whether it met revenue recognition criteria for grants it received in advance. Specifically, the City misinterpreted the revenue recognition criteria for the unspent funds, which should be reported as unearned revenue, a liability, until it meets the applicable eligibility requirements.

**Status of Corrective Action: (check one)**  
 Fully Corrected     Partially Corrected     Not Corrected     Finding is considered no longer valid

**Corrective Action Taken:**  
The 2022 Financial statements were corrected prior to the final audit report being issued per the instructions of the State Audit Office. The statement below was published with the final audit report.

For the benefit of Mercer Island residents, this matter does not represent any misuse of public funds. Rather, it represents a reporting error involving how the federal funds received were classified for audit reports.

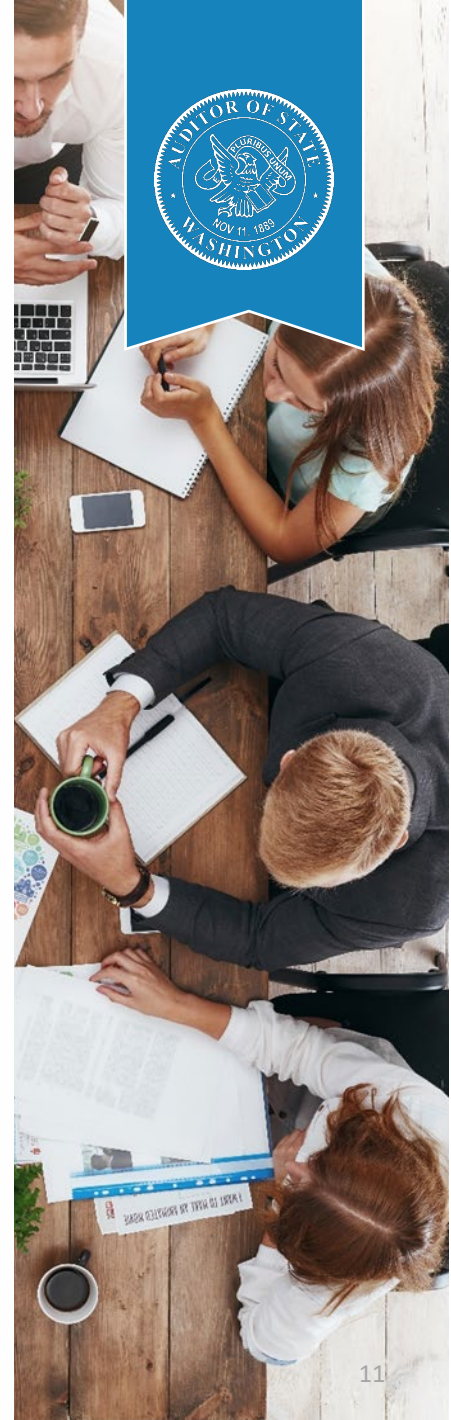
The City utilized the guidance from the State Auditor's Office (SAO) along with resources from the US Treasury for State and Local Fiscal Recovery Funds, the Government Finance Officers

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# Closing Remarks

- Audit costs are in alignment with our original estimate
- Next audit: July 2025
  - Accountability for public resources
  - Financial statement
  - Attestation engagement

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





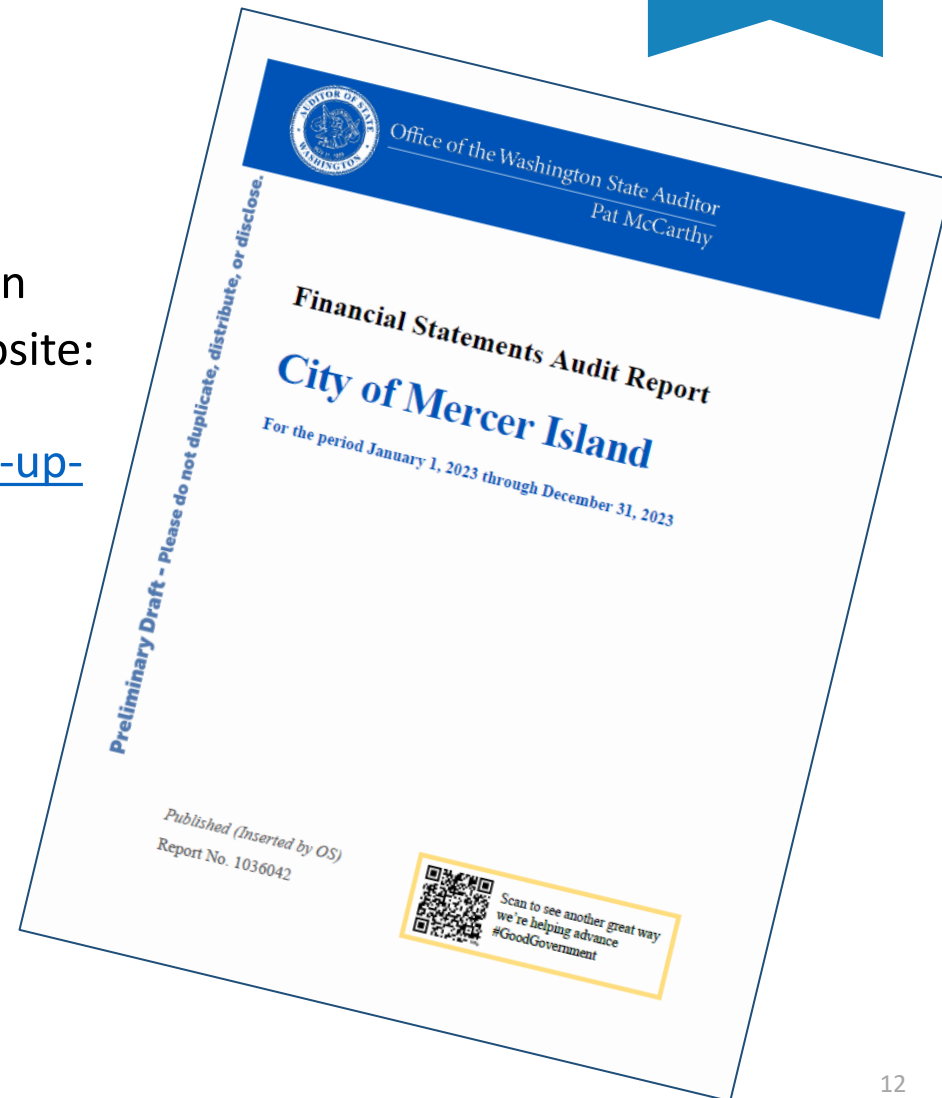
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When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.



# Thank You!



- 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.
- We thank the City for its commitment to strengthen the relationship with the Office of the Washington State Auditor.

# Questions?



Contact Haji Adams Audit Manager

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