



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

City of Olympia

For the period January 1, 2023 through December 31, 2023

Published December 9, 2024

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

December 9, 2024

Mayor and City Council
City of Olympia
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for City operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the City's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

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.

About the audit

This report contains the results of our independent accountability audit of the City of Olympia from January 1, 2023 through December 31, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the City's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Software conversion – general ledger
- Payroll – leave balances and accruals, retroactive pay, and severance pay
- Accounts payable – credit cards and electronic funds transfers
- Accounts receivable – utility billing and adjustments and nonmoving violations
- Cash receipting – timeliness and completeness of deposits
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS****City of Olympia
January 1, 2023 through December 31, 2023**

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

Audit Period: 01/01/2022 - 12/31/2022	Report Ref. No.: 1034114	Finding Ref. No.: 2022-001				
Finding Caption: The City lacked adequate internal controls over electronic payments, which resulted in losses of \$319,146 in public funds.						
Background: Our audit found the City did not have adequate internal controls over electronic payments to protect public funds. In 2022, the City reported a phishing incident to our Office related to misappropriation of public funds. The City made two vendor payments totaling \$319,146 to a fraudulent bank account between September 20 and September 27, 2022. Although the City had procedures in place over electronic payments, accounts payable staff were not aware of the written guidance and did not consistently follow expected procedures.						
Status of Corrective Action: (check one) <table><tr><td><input checked="" type="checkbox"/> Fully Corrected</td><td><input type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City conducted an internal audit to examine our processes for ACH change requests, actions taken by staff related to the loss, and report on compliance with established policy and procedures. The internal audit was performed by our general ledger accounting team and included interviews with accounts payable (AP) team members and sampling ACH set-up documentation between 2000 and 2022 to test overall compliance with established process. The results of the audit culminated in updates in our process to meet best practices and the creation of formal policy surrounding ACH requests. Further, the City has added an additional layer of account validation security through our bank. Continued training is planned for AP staff as well as monitoring through periodic review to help ensure new procedures and processes are applied consistently.</i>						

RELATED REPORTS

Financial

Our opinion on the City's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the City's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a significant deficiency in internal controls over financial reporting related to the implementation of the new general ledger accounting and reporting system as the City did not have an effective process to ensure it included accurate financial activity from the general ledger in the new financial statement reporting system.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the City's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes two federal findings regarding requirements related to federal subrecipient monitoring, special reporting, and rehabilitation requirements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE CITY

The City of Olympia is located in Thurston County and is the county seat and the Washington State Capital. The City provides its 55,669 citizens a full range of municipal services including public safety (police, fire, court and jail), utilities: water, sewer, stormwater and waste management), streets, parks, recreation, and arts, community planning and development, zoning and general administrative services.

The City is governed by a council-manager form of government with six elected council members and the mayor. The mayor serves as a voting member of council. The council appoints a city manager to oversee the City's daily operations as well as its 600 full-time equivalent employees. The City operated on a general fund budget of \$114 million in fiscal year 2023.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the City of Olympia at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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(866) 902-3900
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