



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Pierce County

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

Published June 5, 2025

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

June 5, 2025

County Executive and Council
Pierce County
Tacoma, 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 County 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 County'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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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, County operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the County could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to the Clerk's Office that we communicated to County management and the Council in a letter dated May 28, 2025. We appreciate the County's commitment to resolving those matters.

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 Pierce County 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 County'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:

- Office of the Clerk of the Superior Court – trust fund account activity, cash receipting, bank reconciliations, timeliness and completeness of deposits, voids and adjustments, daily and monthly audit report reviews, and unclaimed property reporting
- Use and collection of restricted funds – sales and use tax (Proposition No. 1) and emergency excise tax
- Compliance with interlocal funding agreement – Pierce County and South Sound 911
- Procurement – Coordinated Entry Systems (Homeless Management Information System, HMIS)
- Facilities Department – credit cards, travel expenditures, procurement, and general disbursements
- Sheriff's Department – credit cards, citations, and overtime pay
- Parks and Recreation Department – credit cards, procurement, and use of restricted funds (impact fees)
- Finance Department – credit cards and travel expenditures
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pierce County January 1, 2023 through December 31, 2023

2023-001 The County did not comply with state law regarding the use of enhanced 911 excise tax revenues.

Background

Pierce County imposes and collects an enhanced 911 excise tax as authorized by RCW 82.14B.030. The amount imposed by the County cannot exceed \$0.70 per month for use of each switched access lines and radio access lines. The County remits the enhanced 911 excise tax to a separate government entity that serves as the public safety answering point (PSAP) for the Pierce County region. The PSAP is a call center that receives and handles the public's emergency calls for first responders (such as police, fire department, emergency medical services or ambulance). An interlocal agreement between the two parties outlines the amount of taxes the County remits to the PSAP.

Revenues from the enhanced 911 excise tax are restricted for the 911 emergency services communications system and its administrative and operational costs. Specifically, they must be used for "911 emergency communications systems" as defined in RCW 38.52.010(1) and RCW 82.14B.020(1) and for purposes restricted in RCW 82.14B.050. The enhanced 911 excise tax can only be used to support the caller when dialing or accessing 911 and reporting the emergency to the call taker at the PSAP. These revenues cannot be used to support dispatching or other services provided after the PSAP call taker answers the call.

Description of Condition

In June 2022, Pierce County used \$4.5 million of enhanced 911 excise tax revenues to install a distributed antenna system (DAS) at its County-City campus building. A DAS is intended to enhance the wireless signals and expand coverage and capacity; it is typically placed in large commercial buildings to improve cellular connections to users in the building and to reduce dropped calls and increase internet speeds.

We determined, in consultation with the 911 Coordination Office of the Washington Military Department, that the \$4.5 million of enhanced 911 excise tax revenue should not have been used to fund the DAS. A DAS does not meet the definition of a 911 emergency communication system as it does not directly support the delivery of information between the caller dialing 911 and the call taker who answers the call at the PSAP.

Cause of Condition

The County's interpretation of what is considered allowable uses of the enhanced 911 excise tax did not align with the requirements of the Military State 911 Coordination Office and state law.

Effect of Condition

Diversion of the enhanced 911 excise tax revenue takes away necessary funding from 911 services and support that rely on these monies.

Further, any diversion could result in the local jurisdiction or the state being ineligible for future 911 federal grant funding.

Recommendation

We recommend the County repay the diverted enhanced 911 excise tax revenues and further work with the public safety answering point and Military State 911 Coordination Office to determine if any additional steps are necessary.

County's Response

The County respectfully disagrees with the Audit finding that the County did not comply with state law in its use of enhanced 911 excise tax revenues.

Background

Over the years and after meeting its obligations to invest locally in the enhanced 911 system, the County built up a surplus in its E-911 tax fund. That surplus was designated for repair, upgrade, and replacement of equipment related to the County's emergency services communication system.

On or about July 21, 2016, the County entered into an engineering and design contract with Motorola to design the Pierce County CCB DAS Communication System.

On or about October 28, 2021, the County executed a public works contract (SC-108676) with Motorola for the Pierce County CCB DAS Communication System in the amount of \$4,535,000. The audit finding's characterization of the purpose of the system is inaccurate. The purpose of the project was to correct a countywide radio system communication "dead-zone" in and around the County-City Building ("CCB"). This "dead-zone" prevented effective radio traffic communication between regional PSAPs and first responders and communications between those first responders within the complex and those outside. The CCB complex houses the Pierce County Jail, Pierce County Superior Court, Pierce County District Court, City of Tacoma Municipal Court, County Executive (at the time), County Council (at the time), Pierce County Prosecuting Attorney, Pierce County Sheriff, Pierce County Clerk, and the staff of those agencies. It serves, and is visited by, thousands of Pierce County citizens conducting business with those agencies per year. While the DAS project does "improve cellular connections to users in the building and [...] reduce[es] dropped calls and increase[es] internet speeds" that is not its primary purpose but rather a beneficial secondary effect.

On or about November 23, 2021, the Pierce County Council passed Ordinance No. 2021-100s2, directing that \$4,551,390.00 from the 911 System Fund be transferred to the Radio Communications fund. The purpose of those funds was for capital projects including the Pierce County CCB DAS Communication System.

The funds in question were not monies that the County was obligated by interlocal agreement or contract to transfer to other agencies. The funds were retained surplus from years that predated those agreements. They were County E-911 funds.

Relevant Statutes and the County's Interpretation

The Audit finding relies on a version of statutes in the Revised Code of Washington ("RCW") that were not in effect at the time the funds were obligated by the County Council, as well as a statute that applied only to the State's use of State E-911 funds. From July 1, 1981, until June 9, 2022, proceeds from the E-911 tax could only be used by the County for its "emergency services communication system". From January 1, 2011, to June 9, 2022, the definition of "emergency services communication system" in RCW 82.14B.020 read,

"'Emergency services communication system' means a multicounty or countywide communications network, including an enhanced 911 emergency communications system, which provides rapid public access for coordinated dispatching of services, personnel, equipment, and facilities for police, fire, medical, or other emergency services."

The changes to definitions in RCW 38.52.010 prior to June 9, 2022 roughly track those discussed above for 82.14B RCW, except that prior to June 9, 2022, those sections related to E-911 funds in 38.52 RCW only applied to the State's use of the State's E-911 funds, not the County's.

It is the County's position that a plain reading of RCW 82.14B.020 and RCW 82.14B.050, in effect at the time the funds were obligated by the County Council, allowed for investment in an "emergency services communication system" that encompasses everything contained in a continuum from the citizen's call for service to the PSAP to the delivery of those services to the citizen. This includes investments that improve dispatch traffic between the PSAP and first responders, and communications between first responders as they respond to calls for service originating with the PSAP. The CCB DAS Communication System is part of the County's "countywide communications network" that facilitates coordinated dispatching of emergency services.

Authority and Interpretation by the 911 Coordination Office of the Washington State Military Department

The Audit finding also relies on an opinion of the 911 Coordination Office of the Washington State Military Department ("Department") which is inconsistent with prior stated positions and presumes interpretation authority that it did not have at the time the funds were obligated by the County Council. The Audit finding also fails to provide the analysis on which the Department's opinion is based so that the County can effectively respond.

Prior to the enactment of Substitute HB 1703 on June 9, 2022, the Department had no statutory authority to determine the eligible expenditures of County E-911 funds. It did have the authority to withhold state E-911 funds from Counties that did not use County E-911 funds for the priorities listed in WAC 118-66-050 and 060. And while the Department has long lobbied for more control over defining the use of E-911 funds by municipalities in the State, the legislature did not grant them that authority until June 9, 2022.

Even though the Department had no authority to define allowed expenditures at the time these funds were obligated, a review of its past statements is illustrative. Even though they have historically encouraged municipalities to use the funds on things that fell under the more restrictive State allowed expenditures listed in WAC 118-66-050 and 060, the Department had repeatedly recognized that the County's E-911 spending authority was much broader than that of the State's.

In 2016, responses from the Department were included by the Federal Communications Commission in a report to Congress, titled the “Eighth Annual Report to Congress on State Collection and Distribution of 911 and Enhanced 911 Fees and Charges”. The report noted that according to the Department,

...the state’s Revised Code of Washington (RCW) and the Washington Administrative Code (WAC) when taken as a whole create a de facto line between ‘Call-taking’ and ‘Dispatch’” and that “state 911 dedicated funds are to be used only in support of call-taking functions (said differently, to get the 911 call from the call-maker to the call-taker) whereas “County 911 dedicated funds” are allowed to support specific “dispatching” functions.

Interestingly, though Washington did not self-identify as diverting funds in that 2016 report, the Public Safety and Homeland Security Bureau determined it had done so when the Washington state legislature diverted \$5,882,974 of 911 fees “in support of the Washington Military Department activities and programs” and \$134,211 of 911 fees “in support of the Washington State Patrol upgrades to the state criminal history system”. Despite that diversion finding, Washington state received Federal E-911 grant funds in 2019. According to the Department’s 2020 911 Cost Study Report, since 2001 the Washington state legislature has diverted almost \$33.5 million E-911 funds to purchases that do not meet the definitions of state E-911 allowed expenses in WAC 118-66-050. It is unclear from the record whether the Legislature or the Department ever paid back the money it diverted from the State’s E-911 fund.

In an email to County stakeholders on January 24, 2018, then Deputy State 911 Coordinator for Enterprise Systems, William A. Leneweaver, wrote that “In short, RCW 82.14B.020 and RCW 82.14B.050 together permit a fairly broad utilization of the county tax, while WAC 118-66 requires the counties to spend their local collection on those items on the list before being eligible for state assistance”.

In the Department’s “Fourteenth 911 Annual Fee Report, Response for Calendar Year 2021 to the Federal Communications Commission” titled “Annual Collection of Information Related to the Collection and Use of 911 and E-911 Fees by State and Other Jurisdictions”, Adam R. Wasserman, the current State 911 Coordinator, told the federal government that “Washington State counties are given certain latitude in both statute and administrative code for the use of the locally collected 911 funds...” and that “...Currently the Revised Code of Washington (RCW) does not adequately define an emergency communications system as it relates to 911[...] the state is proposing a revision to the RCW to be more clear”. Thereafter, the Department successfully lobbied the legislature for passage of the June 9, 2022 amendments to 82.14B RCW and 38.52 RCW.

These are only three examples that could be found in the short period of time allowed for this response. More examples may exist.

Conclusion

In conclusion, the County respectfully disagrees with the audit finding. As of January 2023, the County transfers 100% (minus administrative costs) of the E-911 funds to the County's designated PSAP/Dispatch partner. Because the County no longer retains any past surplus E-911 funds and will not retain any future E-911 funds, the circumstances that gave rise to this finding will not occur in the future. The County will continue to monitor its ILA and contract partners for compliance with current law related to E-911 tax fund use.

Auditor's Remarks

We thank the County for its cooperation and assistance during the audit and have considered their response. We have evaluated the applicable criteria and disagree with their response. We re-affirm the finding and will review the County's corrective action during our next audit.

Applicable Laws and Regulations

RCW 38.52.010(1) – Emergency Management - Definitions

RCW 82.14B.020(1) – Counties – Tax on Telephone Access Line Use – Definitions

RCW 82.14B.030 – Counties – Tax on Telephone Access Line Use – County 911 excise tax on use of switched access lines and radio access lines authorized – State 911 excise tax – Amount

RCW 82.14B.050 – Counties – Tax on Telephone Access Line Use – Use of Proceeds

Budgeting, Accounting and Reporting System (BARS) manual, 3.1.3, Internal Control



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Pierce County January 1, 2023 through December 31, 2023

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

Audit Period: January 1, 2022 – December 31, 2022	Report Ref. No.: 1034366	Finding Ref. No.: 2022-001				
Finding Caption: The Clerk's Office does not have sufficient oversight or internal controls over its financial operations to safeguard public resources.						
Background: The Office of the Clerk of the Superior Court (Clerk's Office) collected \$14.8 million in revenue for fines, fees and restitution payments in 2022. The Clerk is responsible for developing policies and ensuring the office has adequate and effective controls in place over its operations. Our audit found the Clerk's Office had insufficient oversight and control deficiencies over its trust fund accounts and reconciliations, bank reconciliations and non-cash adjustments, Judicial Information System audit reports, and unclaimed property reports.						
Status of Corrective Action: (check one) <table border="0"><tr><td><input type="checkbox"/> Fully Corrected</td><td><input checked="" 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 type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The majority of areas noted in the finding have been fully corrected. The remaining areas in need of improvement are being addressed presently.</i>						

RELATED REPORTS

Financial

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

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County'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 is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

INFORMATION ABOUT THE COUNTY

Pierce County was incorporated in 1852 and operates under a Home Rule Charter adopted by voters in 1980. The County is organized under the executive-council form of government. Elected administrative officials include the County Executive (Chief Executive Officer), Prosecuting Attorney, Assessor-Treasurer, Auditor, Sheriff, Superior Court Judges and District Court Judges. The seven-member County Council is elected by district and is the policy-setting body of the County.

For 2022-2023, the County operated on a biennial budget of \$3 billion. The County's approximately 3,400 employees provide services including public safety, fire inspection, road construction and maintenance (including ferry service from Steilacoom to Ketron and Anderson Islands), flood control, parks and recreation, judicial administration, land-use planning and development, health and social services, sewer utility services and certain solid waste programs.

The County is the second most populated county in the state with 946,300 residents. The County is responsible for appointing board members to various boards including: Pierce County Housing Authority, Community Development Corporation, and the Economic Development Corporation. Additionally, the County has a joint venture with the Tacoma-Pierce County Health Department.

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 Pierce County at <https://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.

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