



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## City of Tumwater

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

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

June 20, 2025

Mayor and City Council  
City of Tumwater  
Tumwater, 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

***Americans with Disabilities***

*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](mailto: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 most of the areas we examined, City 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 City could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to credit cards and the annual report deadline that we communicated to City management and the Mayor and City Council in a letter dated June 13, 2025. We appreciate the City's commitment to resolving those matters.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

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 Tumwater 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. In addition, as part of this audit we followed up on the special investigation report issued January 29, 2024, over payroll. We examined the following areas during this audit period:

- Accounts payable – credit cards and electronic funds transfers
- Payroll – overtime
- Annual report filing – timeliness
- Software conversion – general ledger
- Procurement – professional services
- 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

### City of Tumwater January 1, 2023 through December 31, 2023

#### **2023-001 The City's Parks and Recreation Department did not have adequate controls over credit card purchases to properly safeguard public funds.**

##### ***Background***

The City of Tumwater services about 27,100 residents in Thurston County. An elected seven-member council and a Mayor govern the City, which operates on a \$217 million biennial expenditure budget and provides services including fire, police, water, sewer and stormwater, highway and street maintenance, parks and recreation, permits and inspections, and general administrative services. In 2023, the City of Tumwater spent about \$679,000 through credit card purchases, of which \$240,000 was for the Parks and Recreation Department.

The *Budgeting, Accounting and Reporting System* (BARS) Manual requires governments to design, implement and maintain internal controls that adequately safeguard public resources. Specifically, the City is responsible for ensuring all credit card purchases made using City credit cards, including those made by Parks and Recreation employees, are for the City.

##### ***Description of Condition***

The City did not have adequate internal controls over credit cards, which allowed the Parks and Recreation Manager to use their position for personal gain.

The City's Parks and Recreation Department has a process in which credit card receipts are submitted and reviewed each month to ensure purchases are supported, allowable, and for the City. However, this process was inadequate for ensuring credit card purchases the Parks and Recreation Manager made were allowable and for City business purposes. In addition, the person responsible for reviewing these purchases did not have adequate knowledge to determine whether purchases the Parks and Recreation Manager made were appropriate and expected.

## ***Cause of Condition***

While all Parks and Recreation credit card purchases went through a secondary review, the review was not effective as the reviewer was not familiar with the specific purchases that would be expected for a Parks and Recreation Manager.

## ***Effect of Condition***

Inadequate internal controls over the City's credit card activities and lack of proper oversight resulted in a misappropriation of public funds. In July 2024 the City notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). Through the City's investigation and our follow-up work, we determined there was a total misappropriation of at least \$5,434 between February 2018 and July 2024, and an additional \$14,682 of questionable expenditures between December 2017 and June 2024 as noted under the Related Reports – Special Investigations section of this report. These losses were specifically related to Parks and Recreation Department credit card purchases.

During the current accountability audit, we tested additional credit card purchases by the Parks and Recreation Department and noted no additional losses.

## ***Recommendation***

We recommend the City continue to strengthen internal controls over Parks and Recreation Department credit card purchases to ensure public funds are adequately safeguarded. Specifically, we recommend the City improve controls over Parks and Recreation credit card purchases to ensure purchases that are unallowable, or not for the City, are identified.

## ***City's Response***

*The City of Tumwater appreciates the work of the State Auditor's Office (SAO) and the opportunity to respond. As pointed out in the finding, City of Tumwater staff discovered the misappropriation and investigated. The City then did its best to make itself whole by recouping funds from the employee's final paycheck.*

*To improve internal controls, the City of Tumwater Finance Department created a training program for City staff. We rolled out the training in January 2025 and delivered it to five City departments, including the Parks and Recreation Department. Finance Department Accounts Payable staff, as well as administrative staff and managers in the Parks and Recreation Department, are now providing additional scrutiny to all credit card transactions.*

### ***Auditor's Remarks***

We appreciate the steps the City is taking to resolve this issue. We will review the corrective action taken during our next audit.

### ***Applicable Laws and Regulations***

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



## 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, <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 City's major federal program, which is 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>.

### **Special investigations**

We issued a report on a fraud investigation report on activities at the City. That report is available on our website, <https://portal.sao.wa.gov//ReportSearch>.

## INFORMATION ABOUT THE CITY

The City of Tumwater is the third largest city in Thurston County with a population of 27,100 citizens (not including Urban Growth Area). The City provides a full range of municipal services including fire, police, water, sewer and stormwater, highway and street maintenance, parks and recreation, permits and inspections, as well as general administrative services. The City also owns and operates Tumwater Valley Municipal Golf Course. The City has a strong mayor form of government.

An elected, seven-member Council and a separately elected Mayor govern the City. The Mayor appoints and the Council confirms management to oversee the City's daily operations as well as its 241 permanent and temporary/seasonal employees. For the 2023-2024 biennium, the City operated on a general fund expense budget of \$84.9 million. The expense budget for the 2021-2022 biennium was \$63.9 million and included 235 employees.

### Contact information related to this report

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Website:	<a href="https://www.ci.tumwater.wa.us/">https://www.ci.tumwater.wa.us/</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the City of Tumwater 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.

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](http://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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