

City of Vancouver

General

Code: 07Vancouver-AC21-SA21
Name: City of Vancouver
Group: Vancouver
Type: 07-City/Town
Location: Clark
Scope: Not Applicable

Team

Lead: Nicholas Hoeft
Manager: Gregory Wynn

Procedures

B.2.PRG - GAAP Planning

Procedure Step: Verify DSA
Prepared By: NAH, 5/24/2022
Reviewed By: GTW, 7/7/2022

Record of Work Done.

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We checked the DSA Library and confirmed that a Data Sharing Agreement was in place prior to starting audit work.

B.2.PRG - GAAP Planning

Procedure Step: Engagement Letter

Prepared By: NAH, 5/24/2022

Reviewed By: GTW, 7/7/2022

Record of Work Done:

We developed an engagement letter using our template and considering the scope and factors affecting the audit. We also considered who at the government should sign the letter and the most appropriate time to obtain the signed letter, considering the circumstances of the audit and our understanding of entity operations and the control environment. We obtained the signed engagement letter as shown at Engagement Letter - NR - JS - EH signed. No further work is considered necessary.

B.2.PRG - GAAP Planning

Procedure Step: Understanding Entity & Environment

Prepared By: NAH, 7/5/2022

Reviewed By: GTW, 7/7/2022

Record of Work Done:

Procedures Performed to Update Understanding

To gain an understanding of the government's operations, environment and entity-wide COSO elements, we performed the following procedures:

- We reviewed the planning guide (Cities General - Update April 2022) for the financial audit we noted risks over GASB implementations which we reviewed below. We noted no risks directly relating to the Financial audit within the "required risks to assess" section, as all of those have been reviewed within our accountability audit plan.

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- Through our general inquiries and discussion with the audit liaison Cyndi Turner, Accounting Manager we noted a **general risk of staff experience and knowledge of city activity**. Many of the accountants are newer to the city or newer to their roles within the city accounting department due to turnover in the Accounting Manager position and two higher experience level accountants. With less experienced staff and staff who are not familiar with City activities there is a higher risk that the financial statements are not accurate, missing crucial information, or misclassifying balances.
- We identified and evaluated new GASB standards effective for the period and confirmed with Cyndi Turner, Accounting Manager on 6/8/2022 regarding the government's implementation decisions as documented in New GASB Standards. **We identified risks which we took to our Financial Statement Risks spreadsheet.**
- We gained an understanding of the government's operations and environment, including identification of the reporting entity, key operational information and significant accounting practices. Our understanding is documented in the Permanent File section of the audit, (Entity-Wide COSO Evaluation & Entity Operations - GAAP).
- We gained an understanding of internal control components (based on the COSO framework) for the government as a whole. Our understanding is documented in the Permanent File section of the audit.
- Identified and evaluated key software applications in the Permanent File section of the audit, Key Software Applications.
- Reviewed and updated government profile information in EIS.

Significant Events, Changes and Issues Noted:

- City had a refunding and defeased debt this activity caused for the GO Debt fund to be a major fund during our audit
- The City started using their federal recovery funds in FY 2021, this is a new activity and created a new special revenue fund.
- **Changes in Accounting staff:** Accounting Manager, and two Accountant C positions (*as also documented above with audit risk*).

B.2.PRG - GAAP Planning

Procedure Step: FS Audits Performed by Others

Prepared By: NAH, 6/10/2022

Reviewed By: GTW, 11/3/2022

Record of Work Done:

We noted the following information relevant to the financial statement audit:

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Financial Statement Audits:

Part of the financial statement audit was performed by an external auditor and we have determined it was not in lieu of an SAO audit and not significant to the primary government.

- Perkins & Co CPA performs an audit of the Hilton project (part of Downtown Redevelopment Authority). The external audit report is not yet available at this stage in planning.

We will review the external audit report here when it becomes available [Rely on Work of Others](#)

B.2.PRG - GAAP Planning

Procedure Step: Other Engagements & FAWF

Prepared By: NAH, 7/7/2022

Reviewed By: GTW, 11/3/2022

Record of Work Done:

Future Audit Work File items:

Since the conclusion of the last audit, we monitored media reports, correspondence and observations from other audits and statewide activities for any potentially relevant information. We reviewed the FAWF for items relevant to the financial audit and noted the following: [FAWF Review](#). We carried financial risks to our financial risk spreadsheet linked above.

Prior Financial Audit Exceptions and Uncorrected Misstatements:

We reviewed the last financial statement audit and noted the following:

- We reviewed the audit issues identified by the previous audit as documented in [Prior Audit Issue Review](#). For each issue, we checked the Entity Reported Status in Tracker and inquired with Jordan Sherman, Internal Auditor regarding corrective action and the current status of the issue. We also evaluated the significance of potential effects in order to conclude on the extent of follow-up procedures needed.
- We documented the prior year uncorrected misstatements here, [Prior Year Aggregation - uncorrected](#) and followed up with Jordan Sherman, Internal Auditor and Cyndi Turner, Accounting Manager on how they have been addressed. We performed some of the analysis

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needed to determine whether they should be carried forward. We identified several that impact the current year statements, see - Aggregation of Misstatements (GAAP).

- We reviewed corrected and uncorrected misstatements and financial recommendations and looked for patterns. While we identified several uncorrected items that we will carry forward to the current audit we did not identify any patterns.

Group Audits:

We identified the Downtown Redevelopment Authority 2021 audit (project code 43Downtown-FS21) for confirmation/substantiation of all balances other than cash for that component unit

Accountability and Single Audits:

Our office performs regular accountability audits for compliance with state law and local policies, safeguarding of resources and controls over these matters. This work provides risk assessment information about the likelihood and magnitude of such risks as they may affect financial reporting. We reviewed the FY2020 accountability audit and noted no risk indicators

We reviewed the FY2020 single audit and noted no financial risk indicators.

Citizen Hotline:

We checked EIS for any relevant citizen hotline referrals and noted no risk indicators

Fraud / Loss Reports:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. We checked EIS for any relevant loss reports or investigations and noted no risk indicators

Internal Audits:

We identified a relevant internal audit function as described in the Entity-Wide COSO Evaluation step in the permanent file (Entity-Wide COSO Evaluation). The City's internal auditor spent part of the year in 2020 assisting with the 2019 financial statement prep. As for releasing internal auditor reports, there have been none as of our planning. The internal audit has assisting in following up on prior audit aggregation items, working with capital assets, and reviewing prior audit recommendations including 2020 accountability recommendations.

We identified no financial risks resulting from the internal audit function.

Other Engagements:

We inquired with Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor, on 6/8/2022 regarding other audits, engagements, studies, or investigations that may be relevant to the financial audit and noted nothing related to our FS audit.

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B.2.PRG - GAAP Planning

Procedure Step: Minutes
Prepared By: NAH, 7/7/2022
Reviewed By: GTW, 7/7/2022

Record of Work Done.:

We reviewed the City's meeting minutes on their web site and documented risks related to our financial, single, and accountability audits. Our work is documented within the attached spreadsheet, [Meeting Minutes](#)

B.2.PRG - GAAP Planning

Procedure Step: Material Compliance Requirements
Prepared By: NAH, 7/5/2022
Reviewed By: GTW, 7/7/2022

Record of Work Done.:

Compliance Requirements:

We gained a general understanding of the government's legal and regulatory framework and considered whether any significant requirements had a direct effect on financial statement amounts or disclosures through:

- We reviewed the planning guide, [Cities General - Update April 2022](#)
- Updating our understanding of special compliance requirements in the permanent file at [Entity Operations - GAAP](#)
- We inquired with Cyndi Turner, Accounting Manager about any significant compliance requirements, we noted none.

Oversight Agencies:

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We identified no licensing, regulatory, contracting or granting agencies with the ability to impose potentially material penalties or otherwise play a fundamental role in the entity's operations or ability to continue

Compliance Violations:

We reviewed for potential violations by performing the following procedures:

- We inquired about potential noncompliance and risks of noncompliance as documented in the Risk Assessment Inquiry step, Risk Assessment Inquiry, and noted none.
- We considered results of the most recent Accountability Audit and Single Audit in the Other Engagements & FAWF step.
- We inquired about legal matters see, Legal Matters Inquiry Letter at this point in the audit we have noted no risks.

We will remain alert throughout the audit for compliance violations that may have a financial statement effect. In the FS Summary & Report step at the conclusion of the audit, we will re-consider any work done on other SAO engagements for any compliance violations with a financial statement effect.

B.2.PRG - GAAP Planning

Procedure Step: Planning Analytical Procedures

Prepared By: NAH, 7/7/2022

Reviewed By: GTW, 7/7/2022

Record of Work Done.

Audit procedures and results:

We performed the following trends and analysis to identified unusual or unexpected line items, balances, or relationships

MAJOR FUNDS & AGGREGATE NON-MAJOR - We performed analytical procedures for Major funds and aggregate non-major for items to consider in assessing the risk of material misstatement. We documented our reviews in the fund tabs of the Material Balance Spreadsheet - see FY 2021 Material balances & Analytical. As part of our analysis we considered the City's fund review information that included details of the general ledger activity and variances by object code and analysis by City accountants responsible for the fund. We documented what-could-go-wrong risks and assertions in the Summary tab of the material balance spreadsheet.

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GOVERNMENT-WIDE - We performed analytical procedures on the government-wide statements - see [FY 2021 Material balances & Analytical](#) by trending balances per the statements. However, we performed only high level procedures as we rely on our work at the fund level and audit the City's conversion to the government wide statements. We plan to walk through the conversion process as a whole and review support for each journal entry to arrive at governmental activities reported balances. Part of this process includes ensuring all (completeness) reconciling entries were being completed, as well as supported.

CAPITAL ASSET ANALYTICAL - We reviewed for capital-asset related items in the Notes, FAWF, and minutes. We set expectations for increases and decreases to governmental and business-type capital asset balances and compared our expectations to the actual fluctuations in the Capital Asset note disclosure. We reviewed capital asset reports from the City's Capital Asset Note support folder. We also evaluated % of depreciation for asset categories and rates of depreciation to evaluate reasonableness of useful lives. We documented this work and our **audit risks** here, [Capital Asset Analytical](#)

COMPONENT UNITS - The City has two discrete component units - the DRA and City PFD, with the DRA being significantly larger than the PFD. We considered performing analytical procedures on the component units, however analytical procedures were performed for the DRA and PFD audits, which were done last year - see Teammate project 43Downtown-FS21 & 44Vancouver-FS21. These concurrent individual audits will also be performed in FY2021. The City PFD is a shell entity which solely passes tax revenues through to the DRA.

CAATS Considerations

When analytical procedures involve CAATS, the following documentation guidelines should be followed:

Our analytic procedures were performed using financial statements and source reports pulled from the City's GL system Workday. No additional considerations were necessary.

B.2.PRG - GAAP Planning

Procedure Step: Risk Assessment Inquiry

Prepared By: NAH, 6/17/2022

Reviewed By: GTW, 7/7/2022

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Record of Work Done.:

Governments are required by state law (RCW 43.09.185) to report to our office any known or suspected loss of public funds or assets or other illegal acts. Citizens and employees may also contact our Office's citizen hotline to report known or suspected fraud or abuse. We reviewed loss reporting and citizen hotlines as documented in the *Other Engagements & FAWF* step. We also made general inquiries and observations throughout the planning process.

In addition to these steps, we performed formal inquiries with key personal regarding the government's understanding and assertions about their risks and responses as follows:

Determining Extent of Formal Inquiries:

Based on our understanding of the government and other planning procedures, we considered who might and determined that formal risk assessment inquiries would be conducted with the following people:

- Cyndi Turner, Accounting Manager- no risks identified
- Jordan Sherman, Internal Auditor
- Anne McEnerney-Ogle, Mayor

Risk Assessment Inquiry Questions

Results of Inquiries:

We evaluated responses individually, compared to each other, and compared to results of other planning steps in order to conclude on risks.

B.2.PRG - GAAP Planning

Procedure Step: Major Fund Calculation

Prepared By: NAH, 7/7/2022

Reviewed By: GTW, 11/3/2022

Record of Work Done.:

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Auditors are **required** to verify that major funds are calculated and reported correctly by either reviewing the entity's calculations or by re-calculating major funds using the Major Funds Calculation spreadsheet available in the SAOStore.

We verified that major funds are calculated and reported correctly by re-calculating major funds using the Major Funds Calculation tab at FY 2021 Material balances & Analytical.

The City decided to present the funds below that were not major for one or more of the following qualitative reasons; consistency in reporting of prior years, a significant increase in activity they believe are important to users.

- Parks impact fees
- Parking

No concerns noted.

B.2.PRG - GAAP Planning

Procedure Step: FS Brainstorm
Prepared By: NAH, 7/7/2022
Reviewed By: GTW, 11/3/2022

Record of Work Done.

Brainstorm

Date: 7/7/2022

How: discussion among key members of the engagement team via Teams Video Conference

Attendees:

- Lindsay Osborne, AM
- Greg Wynn, AAM
- Nicholas Hoeft, Audit Lead

Subject Matter Discussed (as detailed in testing strategy):

- Our understanding of the entity, including:
 - Application of financial reporting framework to the government's facts and circumstances

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- Accounting estimates
 - Related party relationships and transactions
 - Unusual accounting policies or procedures
- Results of planning steps, including:
 - All red flags identified in other planning steps
 - Results of analytical procedures
 - Other information and experience with the entity
- Risk of material misstatement, including:
 - Risk of management override of controls
 - Risk of misstatement due to error
 - Risk of misstatement due to fraud
 - Risk of misstatement due to noncompliance with laws, regulations, contracts or grants
- Audit responses to risks, including:
 - Materiality, material balances, relevant assertions and planned further audit procedures
 - Significant risks
 - Significant accounting systems
 - Importance of maintaining a questioning mind and exercising professional skepticism

Decisions Reached:

Overall and assertion-level risks and responses are documented in the FS Audit Plan. As reflected in our plan, we specifically noted:

- No derivatives are reported
- No investment securities are reported using an equity or income approach to determine fair value
- No identified impairment losses or permanent declines in fair value of investments
- Inventory is not material
- No segment reporting
- No red flags or significant pressures or incentives to intentionally misstate revenues. We therefore do not consider improper revenue recognition as a risk of material misstatement due to fraud.
- Confirmations are not needed for accounts receivable arising from charges for goods or services because we determined confirmations would be ineffective for customer receivables selected as a material balance and other planned substantive procedures will be sufficient.

B.2.PRG - GAAP Planning

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Procedure Step: FS Audit Plan
Prepared By: NAH, 7/7/2022
Reviewed By: GTW, 11/3/2022

Record of Work Done:

OVERALL AUDIT STRATEGY

Scope & Reporting Objectives - Engagement scope and attributes are documented in the TeamMate Profile and have been updated in TABS for this audit number.

The objectives of our audit are based on the reports we plan to issue. We have planned the audit to gain sufficient appropriate audit evidence in support of the reports planned to be issued:

- Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting in Accordance with Government Auditing Standards
- Independent Auditor's Report on Financial Statements
- ACFR Letter

We will obtain reasonable assurance that the financial statements are free of material misstatement - whether due to error, fraud or noncompliance with laws, regulations, contracts, or grants - in accordance with the basis of accounting described in the notes. We will report the following conditions discovered during the course of our audit:

- Significant deficiencies or material weaknesses in internal controls over financial reporting
- Material instances of fraud or noncompliance with laws, regulations, contracts, or grant agreements

Standards - We will conduct our audit in accordance with Government Audit Standards (GAGAS).

Planning Procedures - We determined that risk assessment procedures (as documented in the "GAAP Planning" folder) were sufficient to confirm the characteristics of the engagement, considering factors significant to the engagement, results of pre-engagement and planning procedures and results of other engagements. We are planning and performing the financial statement audit to achieve a low overall audit risk. Audit risk is the risk that any material misstatements are not detected by the audit. The assessed risk of material misstatement (which is a combination of inherent and control risk) is addressed by planned further audit procedures designed to achieve a corresponding level of detection risk (a measure of the quality and quantity of audit evidence). These assessments will be re-evaluated during the course of the audit and at the conclusion of the audit.

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Determination of further audit procedures - Planning procedures were designed to assess risk for all balances and assertions. Based on our assessment, material balances and relevant assertions were identified on the Material Balances spreadsheet for further audit procedures. We determined that no further audit procedures were necessary for unselected balances and assertions (beyond overall planning, presentation & disclosure and concluding procedures) to limit audit risk to an appropriately low level in each opinion unit.

Presentation & Disclosure - A review of presentation and disclosure will be performed as documented in the "Review Presentation & Disclosure" folder, the extent of which will be based on risk.

Reconciliation of Governmental Activities to Governmental Fund Statements - Our approach for the reconciliations of governmental fund statements to the government wide statements is to rely on our substantiation of the governmental fund statements and governmental activities column and then to agree the reconciliation to these other substantiated statements.

Business Type Activities column - Our approach for the business type activities column is to rely on our substantiation of the proprietary funds balance sheet and operating statement and then to agree the business-type activities column to the substantiated fund statements.

Statement of Cash Flows - Our approach for the Statement of Cash Flows is to rely on our substantiation of the proprietary funds balance sheet and operating statement and then to agree the Statement of Cash Flows to these other substantiated statements.

Other procedures required by standards - Other procedures required by standards will be performed as documented in the "Concluding Financial Audit Procedures" folder, the extent of which will be based on risk.

Special Planning Methodology - None

SIGNIFICANT RISKS

Based on planning procedures and the planning conference brainstorm, we identified the following significant risks that will represent the focus of the financial statement audit:

1. Management Override of Controls

Management is in a unique position of control over financial reporting. Since this risk is unpredictable and always present, it must be considered a significant risk. For this audit, we specifically noted:

- No red flags or significant pressures or incentives to intentionally misstate revenues. We therefore do not consider improper revenue recognition as a risk of material misstatement due to fraud.
- No unusual, unsupported or disputed transactions identified during our risk assessment inquiry or other planning procedures.
- No significant related party or other transactions occurring outside the government's normal course of business

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- No estimates that give rise to a significant risk were identified

Planned Procedures:

- We updated our understanding of the period end financial reporting process in FS Preparation.
- We will also scan and test year-end adjusting journal entries, including any consolidating entries and off-book adjustments, and consider additional testing of journal entries throughout the period in Management Override of Controls.
- We will review accounting estimates for biases in Management Override of Controls.
- We will remain alert for indications of management override during the course of the audit and will test journal entries for material balances based on risk.

MATERIALITY & RISK OF MATERIAL MISSTATEMENT

Materiality and risk of material misstatement are based on planning procedures and are designed to achieve a low overall audit risk. Decisions reflect an overall assessed risk of material misstatement of **Moderate**.

Planning Materiality - Planning materiality was determined separately for balance sheet and operating statements by opinion unit as listed in the material balance spreadsheet. We considered whether separate or lower materiality thresholds should be set for particular elements and determined that further thresholds were not necessary.

Material Balances - Using both quantitative and qualitative factors, we identified material balances from the financial statements, as documented in the attached material balance spreadsheet at FY 2021 Material balances & Analytical.

Tolerable Misstatement – we allocated tolerable misstatement to all financial statement balances to for planning purposes as documented in the attached spreadsheet.

Relevant Assertions for Material Balances - For each material balance, we described the risk (what could go wrong) and identified relevant assertions, as documented in the attached spreadsheet. Assertions identified are those which are applicable and present a consequential risk of misstatement, based on auditor judgment and planning procedures. We believe that planning procedures are sufficient to reduce audit risk to an acceptably low level for balances and assertions not identified as material or relevant.

Inherent Risk – For each material balance, we documented inherent risk in relation to the relevant assertions in the attached spreadsheet.

Significant Accounting Systems for Material Balances - We identified the transaction streams (the source of the significant transactions) that drive

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the material balances in the attached spreadsheet.

Aggregation of Misstatements Floor – The floor is designated by opinion unit as documented in the Aggregation of Misstatements worksheet.

Control Risk – We documented an understanding of each significant accounting system, identified key controls in relation to relevant assertions, confirmed that key controls were in place and considered testing controls to support any low control risk assessments. We then linked to our internal control work and entered our final control risk assessment for each material balance in the attached spreadsheet.

Risk of Material Misstatement – For each material balance, we considered both inherent risk and control risk and their interaction in relation to relevant assertions to assess the risk of material misstatement as documented in the attached spreadsheet.

INITIAL TESTING STRATEGIES

We developed initial audit programs as reflected in the folders, steps and testing strategy tabs for financial statement work. Our initial audit programs reflect mainly considerations and general guidance for assistants, who will document procedures reflecting the final audit program in the record of work done tab.

AUDIT RESOURCES

Based on our planning, we determined the nature, timing and extent of resources necessary to perform the engagement as follows:

Group Audit Strategy - We do **not** plan to rely on other external audits

We plan to rely on other SAO audits 43Downtown-FS21 for the DRA component unit. We will rely on the work performed in this audit for all figures except cash balances, which we audit as part of this City of Vancouver audit. We indicated in the material balance spreadsheet and the trend analytical our reliance on these audits.

Internal Auditors - We considered the potential for using the work of internal auditors. We do **not** plan to use the work of internal auditors

Staffing - The auditor in charge, supervisor and all assistants are listed in the Team tab of the Profile. We have planned the audit staffing to ensure that all staff are adequately supervised.

We also considered whether specialized skills are needed in performing the audit and determined that assigned personnel collectively have the technical knowledge, skills and experience necessary to perform the audit.

Independence - We considered independence in accordance with Audit Policy 3110 and 3120 and identified no threats to independence.

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Budget – We updated the budget for this audit number in TABS and developed a detailed audit budget as documented in [Audit Budget](#).

B.2.PRG - GAAP Planning

Procedure Step: FS Entrance Conference

Prepared By: NAH, 12/16/2021

Reviewed By: GTW, 7/7/2022

Record of Work Done:

Invitations:

We worked with Jordan Sherman to invite the City Manager and City Council through [Entrance Invitation](#)

Entrance Conference:

The entrance conference handout is documented at [City of Vancouver - Entrance Conference Handout](#). The following people attended the official entrance conference, held in accordance with Audit Policy 2210:

- Lindsay Osborne, Program Manager
- Greg Wynn, AAM
- Nicholas Hoeft, Audit Lead
- Anne McEnemy-Ogle, Mayor
- Eric Holmes, City Manager
- Natasha Ramras, CFO
- Jordan Sherman, Internal Auditor

In addition to the topics shown on the entrance conference handout, the following items were also discussed:

- None

We also sent copies of the entrance conference handout, to the following people:

- Ben Hansen, City Council Member
- Ty Stober, City Council Member

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- Linda Glover, City Council Member
- Laurie Lebowsky, City Council Member
- Erik Paulsen, City Council Member
- Sarah Fox, City Council Member

B.3.PRG - Single Audit Planning

Procedure Step: Engagement Letter

Prepared By: TG, 6/27/2022

Reviewed By: GTW, 8/23/2022

Record of Work Done:

We developed an engagement letter using our template and considering the scope and factors affecting the audit. Engagement Letter

We also considered who at the government should sign the letter and the most appropriate time to obtain the signed letter, considering the circumstances of the audit and our understanding of entity operations and the control environment.

We obtained the signed engagement letter as shown at [Engagement Letter - NR - JS - EH signed]. No further work is considered necessary

B.3.PRG - Single Audit Planning

Procedure Step: Minutes, Other Audits and FAWF

Prepared By: TG, 6/27/2022

Reviewed By: GTW, 8/23/2022

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Record of Work Done:

MINUTES

We reviewed the minutes ([Meeting Minutes](#)) for items relevant to the single audit and noted no single audit risks.

Future Audit Work File (FAWF) items:

Since the conclusion of the last audit, we monitored media reports, correspondence and observations from other audits and statewide activities for any potentially relevant information. We reviewed the FAWF for items relevant to the single audit. We reviewed the FAWF here, [FAWF Review](#) and noted no risks relevant to the Single Audit.

Prior Single Audit Exceptions:

There were no prior single audit issues last year.

Accountability Audits:

Our office performs regular accountability audits for compliance with state law and local policies, safeguarding of resources and controls over these matters. We reviewed the current year, FY 21, accountability audit and noted no risk indicators related to single audit

Group Audits:

We identified **no** component auditors

Citizen Hotline:

We checked EIS for any relevant citizen hotline referrals and noted no risk indicators

Fraud / Loss Reports:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. We checked EIS for any relevant loss reports or investigations and noted no risk indicators

Internal Audits:

We identified no relevant internal audit function

Other Engagements:

We inquired with Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor, on 6/8/2022 regarding other audits, engagements, studies, or investigations that may be relevant to the financial audit and noted nothing related to our Single audit.

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B.3.PR.G - Single Audit Planning

Procedure Step: Single Audit History

Prepared By: TG, 6/27/2022

Reviewed By: GTW, 8/23/2022

Record of Work Done.:

We obtained single audit history information from the Federal Clearinghouse, as detailed in the attached matrix .

SingleAuditHistoryLowRiskStatus_PostUG (1)

We also reviewed EIS for any recent single audit management letter or exit items and noted no issues to consider

We considered this information in determining low-risk auditee status and in assessing risk for federal programs.

B.3.PR.G - Single Audit Planning

Procedure Step: Schedule of Expenditures of Federal Awards

Prepared By: NAH, 7/14/2022

Reviewed By: GTW, 8/23/2022

Record of Work Done.:

STEP 1: Inherent Risk of Misstatement

We have considered inherent risk factors that apply to the Schedule of Expenditures of Federal Awards and assess the inherent risk of material misstatement at HIGH.

STEP 2: Understanding of Internal Controls

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In obtaining our understanding of internal controls over compliance, we considered the five components of internal control and the internal control objectives set forth in Uniform Guidance. See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

LaVonne Steiner Weigel, Accountant
Jordan Sherman, City Internal Auditor

All grant expenditures are coded to a specific project code within the GL. Supporting expenditure reports and reimbursement requests are run based on the assigned project code. Most of the grants the City receives are on a reimbursement basis.

We noted that the City does not identify a separate project code regarding federal versus state or local expenditures within a given project. This separation is performed as the reimbursement requests and associated receivables are created by LaVonne (monthly or quarterly). LaVonne has within her files a GL expenditure report for each Federal program. She reviews all expenditures and based on the LAG manual, grant authorizations, and her knowledge of account coding, places expenditures in either the eligible or non eligible column. LaVonne works closely with each grant's manager and the accounting department to ensure that any receipts the City receives that reference a grant are coded appropriately. Reimbursement revenue requests are created using the separated GL report, ensuring reimbursements only include allowable, approved, and incurred expenditures.

Program income for the HUD grants is not tracked in the GL and is obtained from the IDIS site which is used to submit and manage the reimbursement requests. There are some grants, such as the JAG program, that are funded up front. From our control understanding, we noted that only the 2017 JAG program related federal award and SLRF was received up-front, all other programs were based on reimbursement/drawdown request.

In those instances the City codes these to a liability -revenue received in advance, and then the liability is reduced when the expense has been incurred and the revenue is earned. These grants are also monitored to ensure accuracy of expenditures/decrease in deferred liability as expenditures occur.

All grant revenues are first coded in accordance with the BARS manual and then coded with the assigned project code. In order to create the SEFA, **Lavonne Steiner-Weigel, Accountant, uses a GL revenue report to support each reimbursement request to ensure that all eligible expenditures have been submitted for reimbursement for all revenue codes classified as federal (Control #1).** The report is a year to date GL balance report which shows revenues by BARS number and assigned project number. This report is then used to create the SEFA. During the SEFA creation process, LaVonne references the current BARS manual template to ensure that all required elements are present.

The CFDA numbers are pulled directly from grant agreements to ensure accuracy. In FY21, the Accounting Manager separated from the City. **Independent review over the SEFA and notes to the SEFA, was performed the City's Internal Auditor, who reviews the GL revenue report used to create the SEFA and ensures amounts are accurate, supported, and performs a reasonableness check before providing the SEFA and notes to SAO for audit (Control #2).** If anything unusual or unexpected is identified during the review process, the City's Internal Auditor follows up with LaVonne for verification/clarification to determine if changes need to be made.

Identified Key Controls

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1. Lavonne Steiner-Weigel, Accountant, uses a GL revenue report to support each reimbursement request to ensure that all eligible expenditures have been submitted for reimbursement for all revenue codes classified as federal (Control #1).
2. Independent review over the SEFA and notes to the SEFA, was performed the City's Internal Auditor, who reviews the GL revenue report used to create the SEFA and ensures amounts are accurate, supported, and performs a reasonableness check before providing the SEFA and notes to SAO for audit (Control #2).

STEP 3: Confirm Key Controls

1. Lavonne Steiner-Weigel, Accountant, uses a GL revenue report to support each reimbursement request to ensure that all eligible expenditures have been submitted for reimbursement for all revenue codes classified as federal (Control #1).

As part of our control understanding with LaVonne, LaVonne walked us through her SEFA preparation process via screenshare through Microsoft Teams. LaVonne shared with us the 'Schedule 16 FY21_SEFA Worksheet', it was explained that an 'Account Inquiry' report is ran from the Workday, GL and an Accrual Journal report ran, data from both reports are then compiled into a 'CFDA and Grant' data tab where a pivot table is generated to summarize project costs, these are then reconciled/ agreed to the reimbursement/drawdown requests. Furthermore, we compared the revenue report & reimbursement/drawdown requests to the SEFA and tied out all the grants we performed a risk assessments on as part of our SEFA substantiation. See SEFA SubstantiationNo concerns.

2. Independent review over the SEFA and notes to the SEFA, was performed the City's Internal Auditor, who reviews the GL revenue report used to create the SEFA and ensures amounts are accurate, supported, and performs a reasonableness check before providing the SEFA and notes to SAO for audit (Control #2).

As part of our control understanding, we met with Jordan Sherman, City's Internal Auditor, via screenshare through Microsoft Teams, Jordan walked us through his review process. Jordan was knowledgeable on LaVonne's process and demonstrated that he knew where she kept the 'Schedule 16 FY21_SEFA Worksheet', grant agreements and supporting documentations. At random, we reviewed grant CFDA 21.027 - Coronavirus State and Local Fiscal Recovery Funds of \$1,117,035, Jordan explained that he reviews the 'Accounty Inquiry' report and related expenditure reports and ensures that the SEFA amounts agrees to supporting documents; the grant amount of \$1,117,035 per the SEFA agreed to the 'Account Inquiry' report and expenditure report data that were included within the 'Schedule 16 FY21_SEFA Worksheet'. Furthermore, Jordan shared with us his and LaVonne's discussions regarding the SEFA via Teams on 5/23/2022.

It appears that this control is in place.

STEP 4: Test Key Controls

We are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

STEP 5: Final Control Risk Assessment

MAX - We noted no matters involving internal control over SEFA preparation that we consider to be significant deficiencies or material

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weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

STEP 6: Risk of Material Misstatement

Based on our assessment of inherent risk and control risk above, we assessed the risk of material misstatement at MAX.

STEP 7: Substantive / Compliance TestingFINAL FY21 Schedule 16 SAO Download2021 Notes to the SEFA

We inquired with LaVonne Steiner Weigel, Accountant on 6/21/22 to confirm that the SEFA submitted in their annual report was the final version.

We checked our CFDA Notes and identified **the following** special rules for recognizing or reporting expenditures for the grant programs that we will review as part of testing the Schedule

20.106 Airport Improvement Program

*In accordance with 2 CFR section 200.519, this program has been **designated as "higher risk"** by OMB for purposes of evaluating Type A programs.*

21.027 Coronavirus State and Local Fiscal Recovery Fund (SLFRF)

Confirmation of Receipts: *the amount received by each county and city is listed [here](#), with links to source confirmations from US Treasury and OFM. - Vancouver 2021 Payment is \$16,567,935*

SEFA Expenditures: *Funds are paid in advance (half in 2021 and half in 2022). There is also a revenue loss calculation that determines the limit for the amount of SLFRF funds that can be used to "provide government services" (which is one of the eligible uses of SLFRF funds). Only the amount expended during the period should be reported on the SEFA – not the amount received or the revenue loss calculation.*

Always a Direct Award: *because Non-Entitlement Units (NEUs) of local governments are considered direct recipients under the SLFRF, NEUs are required to report their award expenditures on the SEFA and data collection form as direct awards (even though the funds were distributed by the State OFM.*

97.036 FEMA Disaster Grants – Public Assistance

Disaster assistance awards are made based upon a Project Worksheet (PW) and are classified by FEMA as either a "small" or "large" project according to the cost of the eligible work for the project. The thresholds for project costs can be found in the Compliance Supplement Part 4. Some grantees might experience a long delay from the time they incur costs to recover from a disaster and the date they actually are approved to receive federal disaster relief funding. In the Compliance Supplement to the Uniform Guidance (2 CFR part 200 Appendix XI), FEMA has stated that for purposes of recording expenditures of federal Disaster Grants (CFDA 97.036 – IV. Other Information) on the Schedule of Expenditures of

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Federal Awards (SEFA):

"Non-Federal entities must record expenditures on the SEFA when: (1) FEMA has approved the non-Federal entity's Project Worksheet (PW), and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years." For example:

- 1. If FEMA approves the PW in the non-Federal entity's fiscal year 2020 and eligible expenditures are incurred in the non-Federal entity's fiscal year 2021, the non-Federal entity records the eligible expenditures in its fiscal year 2021 SEFA.*
- 2. If the non-Federal entity incurs eligible expenditures in its fiscal year 2020 and FEMA approves the non-Federal entity's PW in the non-Federal entity's fiscal year 2021, the non-Federal entity records the eligible expenditures in its fiscal year 2021 SEFA with a footnote that discloses the amount included on the SEFA that was incurred in a prior year.*

97.067 Homeland Security Grant

Per the 2021 Compliance Supplement (IV. Other Information), recipients should record expenditures using the ALN (s) shown on the legal award document for the period in which the funds were awarded. Subawards issued by the primary recipient are legally binding agreements, and, therefore, ALNs cited by the recipient in the subgrant award must be used by the subrecipient as the ALNs reported in the SEFA. It also should be noted that, except as otherwise provided by statute, Department of Homeland Security awards of property and/or equipment are subject to the audit requirements of 2 CFR Part 200, Subpart F.

We read the SEFA and compared reported grants to our understanding of the government's operations and to criteria. We concluded that no material exceptions noted, however we noted that the SEFA didn't include the foot note related to subrecipients for all grants, and commas were not included between multiple footnotes.

~~We checked the Schedule 16 Federal Validation checks on the Yellow Flag Report to determine if CFDA's, federal agencies and program titles were accurate.~~

We were unable to check the yellow flag report as the City had not completed their online submission as of 7/14/22. Therefore we performed some alternative procedures:

- Per 2 CFR §200.510(b)(4), the total amount provided to subrecipients from each federal program must be reported in a separate column. To clarify, the entity will continue to report the total direct and/or indirect federal expenditures from each program, but there will be a separate column to report how much of the total direct and/or indirect federal expenditures were passed through to a subrecipient (in other words, it is an informational column). Checked, subrecipients from each federal grant were reported in a separate column, **no concerns noted.**
- Per 2 CFR §200.510(b)(1),(3), for clusters of programs, the entity is required to provide the official cluster name, list the individual programs within the cluster, and provide a total for the cluster – **even if there was only one program in the cluster.** Checked, we used SAM.gov to check the Assistance Listing numbers. and properly title of the federal program name and cluster, **we noted no concerns.**

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- Per 2 CFR §200.510(b)(2), the name of the pass-through entity and identifying number assigned by the pass-through entity must be included. [Checked that the pass-through entity name was included and other award numbers were appeared to be included and accurate, we noted no concerns.](#)
- Per 2 CFR §200.510(b)(6), the Notes to the SEFA must report whether or not the entity has elected to use the 10% de minimis rate. See below and also the BARS/ABFR. [We reviewed the Notes to the SEFA, and noted that the City elected to not use the 10% de minimis rate.](#)

We also reviewed the notes to determine if notes contained all required disclosures for the reported grant programs. We noted no exceptions

We traced reported amounts to underlying accounting records as documented [[SEFA Substantiation](#)] with no exceptions

[We noted the City is missing the COVID-19 in the Federal Program name for 21.027 and 97.036](#)

B.3.PRG - Single Audit Planning

Procedure Step: Low-Risk Auditee Status
Prepared By: TG, 6/27/2022
Reviewed By: GTW, 8/23/2022

Record of Work Done:

As detailed in [[SingleAuditHistoryLowRiskStatus_PostUG \(1\)](#)], we checked all the following conditions for each of the preceding two years:

- Single audits were performed on an annual basis - Criteria met
- The data collection form and single audit reporting package was submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the audit report or 9 months after the fiscal year end - Criteria met **Note: the criteria is showing "not met", however we determined the auditee took advantage of and met the extension allowed per OMB M-20-26 (documentation of the extension is in FY19 prior audit).**
- The auditor's opinions on whether the financial statements were prepared in accordance with GAAP and the auditor's "in relation to" opinion on the schedule of expenditures of Federal awards were unmodified - [Criteria met](#)

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- There were no deficiencies in internal control over financial reporting which were identified as material weaknesses under the requirements of Government Auditing Standards (GAGAS) - [Criteria met](#)
- The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern. - [Criteria met](#)
- None of the Federal programs had audit findings from any of the following in either of the preceding two years in which they were classified as Type A programs: [Criteria met](#)
 1. Internal control deficiencies which were identified as material weaknesses;
 2. Modified opinion on a major program;
 3. Known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the year.

B.3.PR.G - Single Audit Planning

Procedure Step: Materiality
Prepared By: OT, 6/7/2022
Reviewed By: GTW, 8/23/2022

Record of Work Done.*

Internal Controls

When evaluating deficiencies found in an auditee's internal controls over compliance, we will use the chart in the Major Federal Program spreadsheet as guidance. This evaluation will be made for each compliance requirement selected for audit.

Compliance areas that do not have monetary values, such as reporting, may qualify as findings due to quantitative or qualitative characteristics that are non-monetary in nature. The auditor should consider whether internal controls are ineffective to prevent or detect non-compliance. Quantitative considerations may include the frequency of the identified noncompliance. Qualitative considerations may include the needs and expectations of federal agencies and pass-through entities. Factors that indicate that controls leading to potential non-compliance may be **immaterial** include (A) a single exception that has a low risk of being pervasive, (B) a low risk of public or political sensitivity, or (C) an indication, based on the auditor's judgment and experience, that the affected federal agency or pass-through entity would normally not need to resolve the finding or take follow-up action.

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Tests of Compliance

Individual compliance areas - We will report as findings any known and likely questioned costs that exceed \$25,000 for a particular compliance requirement. For other instances of noncompliance without questioned costs (for example, a financial report that contains errors or a case where subrecipients have not been monitored), we will consider reporting a finding if the monetary value associated with the noncompliance exceeds **10%** of total program expenditures or the noncompliance exceeds **10%** of activity associated with the compliance requirement. When our test size is less than **10%** of total program expenditures or less than **10%** of activity associated with the compliance requirement, auditors should consider either expanding testing or extrapolating the results to determine whether the **10%** threshold would likely be exceeded. However, this general rule will not preclude us from reporting a finding for lesser amounts, nor will this preclude us from reevaluating our materiality threshold and expanding and/or modifying the nature and extent of testing. We also recognize that noncompliance can occur in areas without an associated monetary value and not result in questioned costs. Such cases will be evaluated using both quantitative and qualitative factors. Quantitative factors include the frequency of the noncompliance, with an appropriate consideration of sampling risk. Quantitative factors that may be considered immaterial include a single exception with a low risk of pervasiveness. Qualitative factors include (1) the nature of the noncompliance and its significance to the overall program, (2) the nature and extent of any uncertainties associated with the issue, (3) the level of public or political sensitivity, and (4) the perspective of the grantor agency as to the importance of the issue. Qualitative factors that indicate that an identified instance of noncompliance may be immaterial include (A) an exception whose nature is trivial to the compliance requirement and the overall program, (B) an issue that unavoidably involves a significant degree of subjectivity, (C) a low risk of public or political sensitivity or (D) an indication, based on the auditor's judgment and experience, that the affected federal agency or pass-through entity would normally not need to resolve the finding or take follow-up action.

Opinion on compliance for each major program – If the dollar amount associated with instances of noncompliance or scope limitations, either for an individual compliance requirement or aggregated compliance requirements, exceeds **20% of the total program costs**, we will consider modifying our opinion (issuing a qualified, adverse, or disclaimer of opinion) on compliance for the program as a whole. This does not preclude auditors from modifying their opinion for lesser amounts. In addition to this monetary measure, auditors should evaluate non-monetary factors, both quantitative and qualitative, when considering whether to modify their opinion on compliance for the program. Auditors should also recognize it may be necessary to modify their opinion on compliance for scope limitations where sufficient and appropriate audit evidence could not be obtained for examination.

When evaluating the effect of identified noncompliance or scope limitations on our opinion over compliance, we will use the chart in the Major Federal Program spreadsheet as guidance. This evaluation will be made for both individual compliance requirements and aggregated compliance requirements.

B.3.PRG - Single Audit Planning

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Procedure Step: Risk Assessments & Major Programs

Prepared By: NAH, 8/29/2022

Reviewed By: GTW, 11/3/2022

Record of Work Done:

First, we determined which programs were classified as Type A and Type B. We then performed risk assessments for the Type A and Type B programs as applicable. Risk Assessments and Major Programs

Fraud Brainstorm: On 8/29/2022, my supervisor and I discussed whether there are any known or perceived risks of material noncompliance due to fraud with any compliance requirements for Type A and Type B programs. Any risks will be considered when we audit the major program.

Based on the work documented on the attached spreadsheet, the following are major programs for the current audit (we obtained the audit programs from the SAOStore):

Program Title - CFDA Number

Community Development Block Grants - 14.218

Home Investment Partnerships Program - 14.239

Coronavirus State and Local Fiscal Recovery Funds - 21.027

B.3.PRG - Single Audit Planning

Procedure Step: Prior Findings (if applicable)

Prepared By: OT, 6/7/2022

Reviewed By: GTW, 8/23/2022

Record of Work Done:

Not Applicable - no prior audit findings

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B.3.PRG - Single Audit Planning

Procedure Step: SA Entrance Conference

Prepared By: NAH, 12/16/2021

Reviewed By: GTW, 8/23/2022

Record of Work Done.:

The single audit scope, timing and responsibilities were communicated with management and those charged with governance at the financial statement entrance conference – see [FS Entrance Conference](#) for details.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Subsequent Events

Prepared By: NAH, 12/22/2022

Reviewed By: GTW, 12/23/2022

Record of Work Done.:

STEP 1: Controls over Subsequent Even/ts:

Cyndi Turner, Accounting Manager, and the other City accountants are responsible for preparing the notes and including any potential subsequent events. Cyndi attends meetings with the Treasurer and Chief Financial Officer and would be aware of any significant events that have occurred which have a significant financial impact on the City. The accountants also periodically review the minutes and look for any events that would financially impact the City. Additionally, the financials are reviewed by Jordan Sherman, internal auditor who is aware of the requirement and the City's CFO.

STEP 2: Identification of Subsequent Events:

In addition to general procedures performed during the course of the audit, we performed the following procedures to identify potential

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subsequent events affecting any component of the government or part of the financial audit (report, statements, notes, RSI, SI or OI):

- Updated our review of minutes up to 11/21/2022 and agendas through 12/19/2022 as documented in Meeting Minutes
- Checked EIS and updated our review of Other Engagements & FAWF up to 12/22/2022 as documented in FAWF Review
- Inquired about any significant changes, events or transactions occurring after year-end with Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor on 12/21/2022
 - As part of this inquiry, we specifically asked about management's assessment of the potential financial and operational impact of the precautionary measures enacted in response to the COVID-19 virus, and plans in place to mitigate the financial effects and continue operations. We identified the following known and/or anticipated impact, and corresponding plans, based on information available at this time. The City monitors their funding, which was the largest concern in fiscal year 2020. From inquiry with the City's CFO and Internal Auditor the impacts were less than anticipated and the City has mostly recovered since the federal funding. They continue to monitor the impacts but they have not had a significant impact on the City's operations.
 - The government does not prepare interim financial statements

We identified **the following** subsequent events:

- Receipt of ARPA funding for \$33 million - *this is from 2021 meeting minutes and is the second half of the funding the City is receiving in 2022.*

The City is reporting several other subsequent events including; levy lift, purchase of a building, and new staff in key management positions. While in our evaluation they were not significant to the City we note no concerns with the City being transparent and disclosing them.

We note COVID-19 virus and associated impact is reported as it's own note per BARS. No exceptions noted.

STEP 3: Evaluation of Transactions and Disclosures:

The City is reporting the following subsequent events

- Voter approved capital levy lid lift of \$0.50 per \$1,000.
- Purchase of Fourth Plan Commons with VHA, approximately \$5,500,000
- Receipt of ARPA, second half for a total of \$33 million
- New staff in key management positions in 2022.

D.1.PR.G - Concluding Financial Audit Procedures

City of Vancouver

Procedure Step: Litigation, Claims & Assessments
Prepared By: NAH, 9/30/2022
Reviewed By: GTW, 12/12/2022

Record of Work Done:

Step 1: Request information on legal matters

We noted that management uses in-house legal counsel. We requested a list of legal matters from Jonathan Young, City Attorney. Our request is documented in [Legal Matters Inquiry Letter](#) and management's response is documented in [22.07.21 - LTR.DGL to Hoeft re SAO Audit of Legal Claims](#).

Step 2: Other audit procedures to identify legal matters

We were alert for indications of legal matters during the course of the audit including during our review of minutes, review of FAWF items, and other procedures.

- Within the meeting minutes we identified several executive session with the purpose of discussing pending litigations. We also noted a settled litigation of \$50,844
- Within the FAWF we identified **one** litigation over sidewalk repair and a man's death.

As part of the City's response we identified the settlement as noted in the minutes and also noted the sidewalk lawsuit, which was dismissed in 2022 and no appeal has been filed.

We also compared the list of legal matters and description of the use of outside attorneys to legal expenses. We scanned our Accounts Payable analytical to identified legal expenses. We focused on legal expenses over \$50,000 and noted the following:

- Summit Law Group, was paid about \$222,000.
- Davidson Kilpatric & Krislock PLLC, was paid about \$182,000.
- Bullard Law P. L., was paid about \$55,000.

We selected invoices from each legal vendor and also noted in the city's legal response they noted several litigation in which they solicited outside legal council. From our review of invoices we noted

- Summit Law Group
Invoice: SINV-37719; **Amount:** \$36,955; **Purpose:** Self-insurance worker's comp and liability activity - We note the activity meets our expectation based on the legal matters response.

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- Davidson Kilpatric & Krislock, PLLC

Invoice: SINV-25580; **Amount:** \$182,140; **Purpose:** Debra v. City of Vancouver - We note this law firm is mainly used for Self-insurance worker's comp third party claims. this invoice was for Debra Quinn V. City of Vancouver we confirmed this case was included in our legal response that we received from the City.

- Bullard Law P. L.

Invoice: SINV-40704; **Amount:** \$10,750; **Purpose:** Legal services, Moore/Young investigation thru Feb 2022 - We note the law office assist with investigations for VPD, prosecution and internal. No concerns related to pending litigations.

From our review we noted no concerns with the work performed by outside law firms.

Step 3: Evaluate Management's Response to determine if additional follow up is needed

We reviewed and evaluated the list and noted no matters that required additional clarification or follow-up procedures

Step 4: Determine if attorney letter(s) are needed

Attorney letter was obtained: 22.07.21 - LTR.DGL to Hoeft re SAO Audit of Legal Claims

Step 5: Evaluate accounting treatment of litigation, claims, and assessments

We reviewed the City's note disclosure. It appears to include the required information per the BARS manual.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Final Analytical Procedures

Prepared By: NAH, 12/23/2022

Reviewed By: GTW, 12/23/2022

Record of Work Done.

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We completed the final analytical procedures checklist Final Analytical Procedures and read through the final draft financial statements and notes to make sure they are consistent with the auditor's understanding and conclusions.

As part of these procedures, we considered:

- Misstatements identified by the audit
- Adequacy of evidence obtained for significant risks or for any unusual or unexpected balances identified in planning or during fieldwork
- Whether there were any previously unidentified unusual or unexpected balances or relationships in the final draft financial statements

We identified no unexpected items that need further investigation

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Aggregation of Misstatements

Prepared By: NAH, 12/21/2022

Reviewed By: LRO, 1/13/2023

Record of Work Done.*

STEP 1: Accumulation of Misstatements and Scope Limitations

During the course of our audit, we gained an understanding of and accumulated all known and likely misstatements above the floor as documented in Aggregation of Misstatements (GAAP). Additionally DRA related items were communicated and that work is documented in the 43Downtown-FS21 audit file.

Additionally, we identified no scope limitations.

STEP 2: Communication of Identified Misstatements and Scope Limitations

We discussed and requested correction of all identified misstatements with Cyndi Turner, Accounting Manager on 9/29/2022.

We identified no scope limitations to communicate.

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STEP 3: Reconsideration of Planning

We re-considered planning decisions based on initial audit results, specifically considering whether any accumulated results affect our risk assessment or indicate previously unrecognized risks, including risks of fraud. We concluded that no changes to planning decisions were needed.

STEP 4: Evaluation of Impact of Uncorrected Misstatements and Remaining Scope Limitations on the Report

We evaluated the quantitative and qualitative impact of uncorrected misstatements individually and in aggregate, considering the possibility of additional undetected misstatements and management's reasons for not making corrections.

There were no remaining scope limitations.

STEP 5: Communication of Uncorrected Misstatements and Remaining Scope Limitations

We communicated about misstatements as part of our representation letter request and exit conference as documented in those steps.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Prior Findings
Prepared By: NAH, 9/30/2022
Reviewed By: GTW, 12/12/2022

Record of Work Done.*

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior financial audit findings for follow-up.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Corrective Action Plans
Prepared By: NAH, 12/21/2022

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Reviewed By: GTW, 12/21/2022

Record of Work Done.

The audit reported two findings; one financial statement finding and one single audit finding.

for each audit finding we obtained a Corrective Action Plan (CAP). We created a template which was provided to the client, see - [Template - Corrective Action Plan](#).

The CAP was completed by the city, see - [Corrective Action Plan - 2021 - Final](#). We checked the CAP to ensure comments are not inconsistent or in conflict with the finding.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Changes to FS Audit Plan

Prepared By: NAH, 9/30/2022

Reviewed By: GTW, 12/12/2022

Record of Work Done.

We continued to consider planning decisions throughout the audit based on conditions encountered, test results, and additional information obtained. Our continuing consideration included re-evaluation of:

- Materiality and tolerable misstatement
- Significant risks, including risk of fraud
- Material balances, relevant assertions and our description of what could go wrong
- Material systems
- Control Risk, Inherent Risk and the Risk of Material Misstatement
- Staffing and independence
- Other elements of our overall audit strategy, such as scope and needed resources

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We made no substantive changes to the plan

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Summary & Report

Prepared By: NAH, 12/21/2022

Reviewed By: LRO, 12/23/2022

Record of Work Done:

(1) Evaluation of Evidence Obtained and Audit Risk

We determined that sufficient, appropriate audit evidence was obtained and documented in order to support our audit report and reduce audit risk to an appropriately low level. In making this determination, we:

- **Completion of work:** checked that all work necessary to support our opinion was completed.
- **Identified risks:** checked that risks identified in planning were adequately addressed by documented audit procedures.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.

(2) Financial Statement Audit Report

We analyzed accumulated misstatements in the Aggregation of Misstatements step and accumulated control weaknesses in the attached LOR Summary. Based on our audit and consideration of results at both individual and aggregate levels, we made the following conclusions that will be reflected in our audit report:

Opinion on Fair Presentation of Statements (F report):

Our opinion on the fair presentation of financial statements will be: **unmodified for all opinion units.**

In-relation to Opinion on Fair Presentation of Supplementary Information (SI) (F report):

Our opinion on the fair presentation, in relation to the financial statements as a whole, of the SEFA, budgetary comparison schedules and combining fund statements will be: **unmodified.**

Other Information (OI) (F report):

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We do not express an opinion or provide any assurance on OI as this information is presented for purposes of additional analysis and is not a required part of the basic financial statements and such information has not been subjected to auditing procedures.

Explanatory and Emphasis Paragraphs (F report):

We determined that **no explanatory paragraphs were necessary**

In addition, we decided that **no matters needed emphasis** in our audit report.

Controls over Financial Reporting (I report):

We evaluated all identified deficiencies individually and in combination and noted **the following material weaknesses in controls** over financial reporting and **no deficiencies reported as management letters** that will be referenced in our financial report.

- LOR Summary

Compliance and Other Matters (I report):

We noted **material instances of noncompliance, fraud or abuse** that impact the financial statements as a finding and **no compliance matters reported as management letters** that will be referenced in our financial report.

(3) Report Preparation & Distribution:

In preparing the report, we:

- Routed Findings and Management Letters to the appropriate personnel, as applicable.
- Prepared the audit report using ORCA and the ARS manual:
 - Compared the draft report to the prior year report for consistency. Differences noted, if any, were fully investigated to ensure the current report is correct.
 - Compared the draft report to the ARS manual templates and instructions to ensure the report has the appropriate information and details.
- Reviewed report distribution in ARTS to ensure standard distribution and distribution to any additional parties that may need to be informed of the audit.

Report preparation, technical report review, issuance, distribution, report date and the final official version of the report are documented in ORCA and the ARTS database.

Report distribution will not be limited. The report will be distributed publicly by publishing on our website. Links to the published report will be sent to the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate, and additionally to any parties with applicable subscriptions.

City of Vancouver

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: Review Finding Response

Prepared By: NAH, 12/21/2022

Reviewed By: GTW, 12/21/2022

Record of Work Done:

Obtaining the views of responsible officials:

We presented the draft finding to Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor on {insert date}.

We requested a response from Cyndi Turner, Accounting Manager on 10/26 as documented in [Finding Corrective Action Plan City Response](#).

Evaluating the response:

The City stated to use the corrective action plan as their response which is documented in [Corrective Action Plan - 2021 - Final](#). We reviewed it and noted:

- No new evidence was presented
- No information that was contradictory or inconsistent with facts presented in our finding
- No new perspectives were shared that would cause us to re-consider our description of the condition, cause, effect or recommendation

We developed the Auditor's Response section of our finding based on this evaluation.

D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Letter of Representation

Prepared By: NAH, 12/23/2022

Reviewed By: GTW, 12/23/2022

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Record of Work Done:

STEP 1: Rep Letter - GAAP

We selected the appropriate representation letter template from the Store and considered whether any additional representations were needed beyond the standard ones included in the template. We determined that **the following** additional representations were needed.

Rely on Specialist - Actuary "We adequately considered the qualifications of Milliman, Inc and agree with conclusions regarding our other post-employment benefits liability, which are reflected in financial statement amounts and disclosures. We provided Milliman with accurate and complete information in response to requests and did not give or cause any instructions to be given to Milliman with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of Milliman."

ACFR Review "We acknowledge our responsibility for presenting Annual Comprehensive Financial Report combining statements and supplemental schedules in accordance with generally accepted accounting principles in the United States. We believe that combining statements and supplemental schedules are fairly presented, including both form and content, in accordance with those principles.

We have disclosed to you all significant changes to the methods of measurement and presentation of combining statements and supplemental schedules, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the combining statements and supplemental schedules."

STEP 2:

We requested management representations as detailed in . Along with the request, a final list of uncorrected misstatements was included as an attachment

STEP 3:2021 COV Rep Letterp - signed

We obtained the representation letter and reviewed it to check that:

- All representations were properly made and consistent with expectations;
- It was dated the same as our report date; and
- It was signed by appropriate members of management.

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D.1.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Exit Conference

Prepared By: NAH, 1/17/2023

Reviewed By: GTW, 1/30/2023

Record of Work Done:

Invitations:

We worked with Jordan Sherman, Internal Auditor to schedule the Exit with City Council and City Management, through our exit invitation, [Audit Exit Invitation](#)

Exit Conference:

The exit conference handout is documented at [Exit Conference Updated](#). The following people attended the official exit conference on 1/17 via a Teams meeting, which was held in accordance with Audit Policy 2220:

- Lindsay Osborne, Program Manager
- Greg Wynn, Assistant Audit Manager
- Nicholas Hoeft, Audit Lead
- Anne McEnerny-Ogle, Mayor
- Eric Holmes, City Manager
- Nathasa Ramras, CFO
- Cyndi Turner, Accounting Manager
- Jordan Sherman, Internal Auditor

In addition to the topics shown on the exit conference handout, the following items were also discussed:

- None

We also sent copies of the exit conference handout, to the following people: [COV - Exit Handout](#)

- Ty Stober, Mayor Pro Tem
- Bart Hansen, Council member
- Erik Paulsen, Council member

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- Sarah Fox, Council member
- Diana Perez, Council member

D.1.PR.G - Concluding Financial Audit Procedures

Procedure Step: FS Quality Control Assurance Certification

Prepared By: NAH, 12/21/2022

Reviewed By: LRO, 12/23/2022

Record of Work Done:

Quality Control Assurance Certification

*The certification should be signed-off **before** the Financial Statement report is issued.*

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure audit objectives were achieved (Audit Policy 3210).
10. In planning the financial statement audit, all planning steps in TeamMate were completed and documented (Audit Policy 6210).
11. All concluding audit steps in TeamMate were completed and documented (Audit Policy series 6400).
12. All government elected officials or the audit committee members were invited to official entrance and exit conferences in accordance with Audit Policy 2130.

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13. Adequate communication with management and the governing body occurred prior to issuance of the report, including all information required to be discussed by Audit Policies 2120, 2210 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.
6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

D.2.PRG - Baseline Testing

Procedure Step: Baseline Summary
Prepared By: KH, 7/8/2022
Reviewed By: GTW, 8/25/2022

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Record of Work Done.

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.2.PRG - Baseline Testing

Procedure Step: Cash and Investment Confirmation

Prepared By: KH, 7/25/2022

Reviewed By: GTW, 8/24/2022

Record of Work Done.

Background:

We gained an understanding of the Cash and Investment Confirmation system during planning procedures and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Cash, cash equivalents, and pooled investments from the following funds (Existence):

- Governmental Activities: \$401,950,800
- General fund: \$131,770,211
- Consolidated Fire: \$12,907,633
- Street: \$22,671,951
- Park Impact Fees: \$12,834,939
- Capital Improvement: \$54,487,363
- American Rescue Plan Act: \$16,518,828
- Water/Sewer: \$108,258,963
- Parking Services: \$7,187,821

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- Aggregate Remaining: \$170,097,811

Restricted cash and equivalents (Existence):

- Water/Sewer: \$14,741,717

Component Units (Existence):

- Aggregate Component Units: \$279,598
- Cash with fiscal/escrow agent: \$6,470,106
- Cash with fiscal/escrow agent - restricted: \$5,900,145

Risk: (What can go wrong):

The City's total reported cash increased almost 20% since the prior audit, there is a risk the City is reporting cash that is not available at year end due to the city's reconciling items being not valid, supported, or reasonable. There is a risk that the City is not reporting the balance properly due to an incomplete or misstatement of reconciling items; leading to an overstated cash balance.

Auditor Results/Procedures:

We received .pdf copies bank and investment statements for December 31, 2021 year-end and tied them to the general ledger and financial statements in our Cash Reconciliation spreadsheet linked here: [2021 Cash Rec.](#). We scanned the bank statements for obvious signs of manipulation including spacing, commas, and formatting and other signs of manipulation and noted no concerns. We additionally obtained the balance of outstanding checks and deposits in transit for the City's main account as well as the City's year-end reconciliation. Based on our reconciliation, we determined that reported cash and investments existed as of the end of the period and reconciling items were valid. We noted a difference of \$59,659 between the bank statements and the financial statements which was due to Utility payments made on 12/31/2021 that were not receipted into Workday until 1/3/2022. During the preparation of the financial statements, the City recorded this amount in Accounts Receivable instead of Cash. We carried this error to the Aggregation of Misstatements: Aggregation of Misstatements (GAAP).

The reconciliation performed included DRA's bank statements and tied to the GL and financial statements, determining that cash and investments reported existed as of the end of the period. **No concerns.**

D.2.PRG - Baseline Testing

Procedure Step: GASB 68 State Pension Plan Balances

Prepared By: KH, 7/6/2022

Reviewed By: GTW, 7/26/2022

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Record of Work Done:

Background:

We gained an understanding of the State Sponsored Pension Plans system during planning procedures and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Net Pension Asset (Completeness, Existence, Valuation):

- Governmental Activities: \$125,792,824
- Water/Sewer: \$13,537,883
- Parking: \$518,827
- Aggregate Remaining: \$13,587,249

Net Pension Liability from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$2,583,909
- Water/Sewer: \$1,292,071
- Parking Services: \$49,517
- Aggregate Remaining: \$1,296,782

Deferred outflows related to pensions from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$10,521,806
- Water/Sewer: \$1,787,114
- Parking Services: \$68,489
- Aggregate Remaining: \$1,793,631

Deferred inflows related to pensions from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$73,770,332
- Water/Sewer: \$14,049,911
- Parking Services: \$538,450
- Aggregate Remaining: \$14,101,147

Risk (what could go wrong):

Pension balances are complex calculations and while there are tools available to clients there is a risk that the City did not input the correct amounts in the tool resulting in incorrect calculation of the pension balances.

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Auditors Results/Procedures:

We tied the material balances to the GL, here: [Agree to GL GASB 68](#). **No concerns.**

STEP 1: Determine the type of pension plan(s) in which the employer participates

We determined that the City participates in the following pension plans:

- Public Employees Retirement System (PERS) plans 1 and 2/3
- Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) plans 1 and 2

STEP 2: Reference central work and obtain figures from PEFI

Reference Central Work

SAO centrally reviews the CPA audit of the Department of Retirement Systems (DRS) and other support for the actuarial valuation (AAG-SLV 13.187.a-e and h-j) as part of the State ACFR audit – that work is documented in the related audit file.

Obtain figures from PEFI

We obtained the values for the City of Vancouver (Organization ID #1028) from PEFI in the "2021-PEFI" tab of our GASB 68 testing spreadsheet here: [GASB 68 Testing FYE 12-31-2021](#) We also confirmed that the allocation percentages used by the City agreed to the percentages in the SAO "2021-PEFI" tab.

STEP 3: Use the applicable GASB 68 Testing Spreadsheet to re-recalculate reported pension balances from the [Participating Employer Financial Information](#) (PEFI) report

We confirmed that the City performs a reconciliation of employer contributions to the DRS reported contributions. Under the "Input" tab, we entered the organization ID #1028 in the SAO GASB 68 testing spreadsheet linked here: [GASB 68 Testing FYE 12-31-2021](#), and populated the pension contribution cells from the City's GASB 68 Reconciliation and Allocation spreadsheet.

Under the "GAAP-Summary" tab, we entered the City's Pension Asset and Liability values, as well as Deferred Inflows and Outflows, and Pension Expense, using the financial statements and Note 16 for the financial statements. We tied the values in the SAO GASB 68 testing spreadsheet to the City's Notes within rounding variance. Financial statement amounts differ due to the fire and police pensions (fund 617 and 618). We reconciled all pension amounts to the financial statements within our GASB 68 spreadsheet above.

STEP 4: Employer Specific Deferred Outflows (DO) and Deferred Inflows (DI)

Using the GASB 68 testing spreadsheet, we tied the pension Deferred Outflows and Inflows to the individual plan tables within the Notes, within rounding variances.

STEP 5: Special Funding Situation (applicable to LEOFF 2 only)

LEOFF plans 1 and 2 include a special funding situation in which the State has a legal obligation to make contributions directly to the plans. Although

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the State makes the contributions, individual employers are required to recognize pension expense and an equal amount of revenue for their share of these contributions.

LEOFF 1 is fully funded and there have been no contributions since 2000. No further action (other than note disclosure) is currently necessary.

LEOFF 2 – The total amount contributed by the State appears at the end of the LEOFF 2 Employer Allocation Schedule in the PEFI. Note that allocation percentages have not been calculated for individual employers and each individual employer must calculate their own share of the State's total contributions.

Formula: See the "SpecFndg" tab in the attached spreadsheet. This spreadsheet explains the calculation of the special funding amount, the required journal entry, and note disclosures.

- Verify that employers have recorded this transaction.

We tested the LEOFF2 balances here: [GASB 68 Testing FYE 12-31-2021](#). We tied within trivial variances.

We also noted a required journal entry to recognize the pension expense, as per the "SpecFndg" tab in the testing spreadsheet:

DR - Pension Expense: \$1,759,291

CR - Intergovernmental Revenues (BARS 3350301): (\$1,759,291)

We traced this entry in the general ledger to a journal entry dated 12/31/21 (JE - 00017354). We identified the adjustment in the City's GASB 68 Reconciliation and Allocation - 2021 spreadsheet and tied the total debits and credits to JE-00017354 and JE-00017355.

We also verified the required Note disclosures in Note 16 here: [Notes to the Financial Statements](#). **No concerns.**

STEP 6: Test allocation of pension amounts to funds and activities (as applicable)

For GAAP statements that include multiple opinion units, pension liabilities/(assets), deferred outflows and deferred inflows should be allocated between governmental and business-type activities in the government-wide statement of net position, allocated to appropriate activities in the government-wide statement of activities, and reported in the specific proprietary or fiduciary funds they are directly related to and expected to be paid from.

Auditors should evaluate allocations for reasonableness by (AAG-SLV 13.167):

- Understanding and evaluating the reasonableness of the allocation methodology.

The City assigns the allocation of pension amounts based on percentages calculated on pension expense contributions (ledger 520000). These contributions are coded to fund cost centers and spend categories, which are associated with specific funds. Using these percentages, the City then takes the pension balances calculated in the GASB 68 spreadsheet, and assigns the calculated portion of the balances to the same fund cost

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centers. This method appears reasonable, and is consistent with previous years.

- Testing the mathematical accuracy of formulas used and tracing amounts to the financial statements.

We obtained the spreadsheet used by the City to allocate pension balances. We tied the total pension contributions to our GASB 68 testing spreadsheet. We reviewed the formulas in the spreadsheet's cells, and verified they were correctly calculating percentages based on the fund cost center value, and the total contributions for the plan. We tied the tab where values from the GASB 68 testing spreadsheet were allocated, to the actual GASB 68 testing spreadsheet. We then ensured cells that multiplied the calculated percentage to the overall pension balances had coding that accurately calculated the assigned fund value.

- SAO recommends the effect of changes in allocation percentages from year to year be expensed in the current year. However, employers may amortize these changes over the remaining service life of the plan if they choose.

The City opted to expense changes in allocation percentages, which is consistent with prior years.

STEP 7: Review Required Supplementary Information (RSI) RSI

- Inquire with management about the methods of preparing the schedules, including:
 - Whether it is measured and presented in accordance with GAAP

Preparation of the schedules was in accordance with GAAP.

- Whether methods of measurement or presentation have been changed from those used in the prior period and the reasons for any such changes.

Methods of measurement and presentation have not changed from the previous audit.

- Whether there were any significant assumptions or interpretations underlying the measurement or presentation of the information.

No significant assumptions were made, other than approved actuarial assumptions.

- Verify that RSI is included with all and only the required elements

See the BARS Manual for State sponsored pension plans (PERS, PSERS, LEOFF).

The RSI contained all and only the required elements, per the BARS manual template.

- Read the schedule for consistency with inquiry and knowledge obtained during the audit.

The schedules appear consistent with the knowledge gained during the audit.

- Foot and cross-foot schedules and tie key figures reported in the schedule to the financial statements, notes and underlying accounting records.

We foot and cross-foot the schedules, as applicable, and re-performed percentage calculations. We tied values to the financial statements, and underlying accounting records. We noted some presentation items within the notes to the RSI.

STEP 8: Review note disclosures for accuracy and completeness

- Compare disclosures to the BARS manual template notes for state sponsored plans.

We reviewed Note 16 Pension Plans and documented our review here: Notes to the Financial Statements

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Local governments may, but are not required to, use this sample note disclosure. The sample note meets the minimum disclosure requirements of GASB 68 and local governments may include additional information as considered necessary for a fair and accurate presentation. The attached spreadsheet includes sample DO/DI and amortization tables for the notes on each plan spreadsheet.

- Foot and cross-foot schedules and tie key figures reported in the notes to the financial statements, PEFI report, underlying accounting records, and other sources, as necessary.

We foot and cross foot schedules and tied key figures reported in the notes to the financial statements, PEFI report, underlying accounting records, and other sources, as necessary. We noted some trivial presentation errors that we noted within our Note document. Using the GASB 68 testing spreadsheet, we tied the pension Deferred Outflows and Inflows to the individual plan tables within the Notes, within rounding variances.

D.2.PRG - Baseline Testing

Procedure Step: GASB 75 OPEB Balances

Prepared By: KH, 7/6/2022

Reviewed By: GTW, 7/28/2022

Record of Work Done:

Background:

We gained an understanding of the GASB 75 OPEB system during planning procedures and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

OPEB Liability due in more than one year: \$44,906,257 - Valuation/Classification

OPEB Liability due in one year: \$1,640,288 - Valuation/Classification

Risk (what could go wrong):

There is a risk the data and assumptions used by the actuary are not accurate or reasonable to calculate this balance. There is a risk that there is

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a current portion of this liability that is not being properly classified.

Auditor's Procedures/Results:

We tied the material balance to the GL, here:

Ledger Account per Trial Balance	GL	FS Balance	FS Value	Variance
264600: Net Pension Liability - OPEB	\$ 46,546,545	Total OPEB liabilities due in one year	\$ 1,640,288	\$ -
		Total OPEB liabilities due in more than one year	\$ 44,906,257	

We obtained the GASB 75 testing strategy from the team store and followed it to perform testing over GASB 75 balances. See: [GASB 75 Testing Strategy – Local Govts.](#)

We relied on Milliman, Inc (actuary) as part of the work documented within the link above and here: [Rely on Specialist - Actuary.](#)

D.2.PRG - Baseline Testing

Procedure Step: Property Tax Balances

Prepared By: HB, 7/8/2022

Reviewed By: GTW, 8/1/2022

Record of Work Done.*

Background:

We gained an understanding of the [Property Taxes](#) system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: [FY 2021 Material balances & Analytical](#)

Material Balance	Opinion Unit	FS Amount	Assertions
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Property Taxes	General fund	\$ 52,614,858	Completeness, Occurrence
Property Taxes	Aggregate Remaining	\$ 6,003,654	Completeness, Occurrence
Receivables - Taxes/Assessments	General fund	\$ 15,524,028	Completeness
Receivables - Taxes/Assessments	Street Fund	\$ 1,228,355	Completeness
Receivables - Taxes/Assessments	Aggregate Remaining	\$ 3,307,803	Completeness
Unavailable revenue	General fund	\$ 552,994	Completeness
Unavailable revenue	Aggregate Remaining	\$ 62,595	Completeness

Risk:

Property Taxes: There is a risk the City did not appropriately record property taxes to the correct period when revenues were earned based on supporting documentation.

Property Taxes Receivable: There is a risk that the property taxes receivable does not include all Property Taxes owed as of the end of the year (completeness).

Unavailable Revenue: There is a risk that the City is not including all amounts received after 60 days of year-end from the County for property tax.

Auditor Procedures/Results:

1. We tied material balances to the GL, here: [Agree to GL - Taxes](#)

2. See our testing, here: [Property Taxes – Cities](#)

We traced reported property tax revenues and GL balances to County Treasurer reports. We also tested the property tax receivables against what was reported on the GL, and unavailable revenues were tested. Additionally, we obtained certified levies and used the City's levy as an analysis to the work performed. [We noted trivial variances related to revenues for \\$17,883 and unavailable revenue for \\$18,405 that are below our floor of \\$20,000. While the unavailable revenue variance of 3% may be above the expectation of 1%, we will not follow up on these differences.](#)

Additionally, we tied out the property tax note which is documented here: [Notes to the Financial Statements](#)

D.2.PRG - Baseline Testing

Procedure Step: State Treasurer Distributions

City of Vancouver

Prepared By: HB, 7/8/2022

Reviewed By: GTW, 8/2/2022

Record of Work Done:

Background:

We gained an understanding of the Centralized Receipting system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Sales and Use Tax

- General Fund - \$60,211,284 (Occurrence/Completeness)
- Aggregate Remaining - \$8,167,059 (Occurrence/Completeness)

Receivables - Tax/Assessments

- General Fund - \$15,524,028 (Existence)
- Street Fund - \$1,228,355 (Existence)
- Aggregate Remaining - \$3,307,803 (Existence)

Risk (what could go wrong):

- Sales and Use Taxes: The City experienced a 24% increase in B&O and Excise taxes in FY2021. There is a risk that the City is not correctly reporting taxes earned for the audit period, not factoring in correct months for when sales tax revenues were earned. There is a risk the City lacks support for the occurrence of tax revenues.
- Receivables - Tax/Assessments: Receivable balance may be over reported and not agree with the supporting state treasurer reports. Testing of receivable performed in conjunction with Sales tax revenue testing using Sales Tax testing spreadsheet in TeamStore (existence).

Auditor Procedures/Results:

We agreed material balances to the GL, here: Agree to GL - Taxes

Step 1 – Obtain central confirmation

We obtained the "State Treasurer Distribution 12-31-2021" workpaper in the TeamStore.

See: State Treasurer Distributions FYE 12-31-2021

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On the 'Calculation Summary' tab, we:

- Selected the entity name - [Selected "City of Vancouver"](#)
- Selected the availability period for revenue recognition (as identified in Note 1) - Designated FY as "[12/31/21](#)"

Step 2 – Identify GL accounts which recognize OST distributions (revenues, accounts receivable, and deferred inflows (if applicable))

For the following balance types we determined which financial statement balances, and their respective GL accounts post State Treasurer (OST) distributions:

- Revenues
- Accounts Receivable
- [As the availability period is 60 days, we do not expect any deferred inflows to be reported for OST distributions because they are all expected to be collected within the availability period.](#)

Step 3 – Compare confirmed revenue to GL accounts (occurrence and completeness)

We compared confirmed revenues from the 'Calculation Summary' tab to amounts recorded in respective GL accounts. No concerns noted.

Step 4 – Compare confirmed receivables to GL accounts (existence and completeness)

We compared confirmed accounts receivables from the 'Calculation Summary' tab to amounts recorded in respective GL accounts. No concerns noted.

Step 5 – Classification

We evaluated the classification of financial statement line items based on our understanding of the nature of OST distributed revenues that were included in them. [We noted no issues.](#)

D.2.PRG - Baseline Testing

<i>Procedure Step:</i>	Other Taxes
<i>Prepared By:</i>	HB, 7/8/2022
<i>Reviewed By:</i>	GTW, 8/2/2022

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Record of Work Done:

This was not Background:

We gained an understanding of the Centralized Receipting system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Other Taxes

- Street Fund - \$6,529,013 (Occurrence/Completeness)
- Aggregate Remaining - \$11,848,493 (Occurrence/Completeness)

Intergovernmental

- Street Fund - \$3,932,335 (Occurrence)

Receivables - Tax/Assessments

- General Fund - \$15,524,028 (Existence)
- Street Fund - \$1,228,355 (Existence)
- Aggregate Remaining - \$3,307,803 (Existence)

Risk (what could go wrong):

- Other Taxes:
 - Street/Aggregate Remaining: There is a risk that the City is not appropriately recording tax revenues for the correct period based off of valid supporting documentation (Completeness, Occurrence).
- Intergovernmental: There is a risk that amounts reported are not supported by eligible expenditures incurred during the reporting period.
- Receivables - Tax/Assessments: Receivable balance may be over reported and not agree with the supporting state treasurer reports. Testing of receivable performed in conjunction with Sales tax revenue testing using Sales Tax testing spreadsheet in TeamStore (existence).

Auditors Procedures/Results:

GL Tie-Out

We tied the sales/use tax revenues to the GL, here: Agree to GL - Taxes

Completeness/Occurrence/ Existence

Using the State sales tax testing spreadsheet from the Teamstore, we tested to ensure that the City was reporting taxes earned in FY 2021 and that receivable balances agreed to the state treasurer report. We note that the REET taxes are remitted to the City by the County treasurer and

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have performed a review over remitted REET taxes received by the County Treasurer. For our review of sales/use taxes some balances are made up of both REET tax remittance that are divided between the City's Street Fund and Aggregate Remaining Funds.

Our State sales tax testing spreadsheet is here: [State Treasurer Distributions FYE 12-31-2021](#)

Our REET testing is documented here: [2021 REET Testing](#)

We substantiated the sales and use taxes for the identified balances above, and noted the following:

One minor variance was found regarding the inclusion of the February 2021 State Treasurer Remittance Statement. This amount was included in our calculation of State + County Treasurer Distributions. The variance is \$4,006.92 that is split between the Street fund and Aggregate Remaining, for a \$2,003.46 variance in each fund. However, this variance is below the floor for each fund, so we are not following up on this error.

In our testing of state treasurer distributions, we noted a variance regarding MVFT Refund. The MVFT Refund of \$9,469 is for State Treasurer FY 2021 Revenue accrual, noted in JE-0016685. This revenue accrual is shown on the State Treasurer remittance for 2/28/2022 to be accrued back into 2021, and is provided in our testing spreadsheet. The testing spreadsheet's calculation summary tab did not account for this refund that was accrued back into 2021. Because we can tie this to Workday support as well as the State Treasurer remittance, as well as this variance being below our floor, we are not following up on this error.

No other concerns noted.

D.3.PRG - Gov't Wide Reconciliations

Procedure Step: Gov-Wide Rec

Prepared By: NAH, 8/18/2022

Reviewed By: LRO, 9/13/2022

Record of Work Done:

Auditor's Procedures and Results:

1. We obtained the City's conversion worksheet - see link to [2021 Govt-wide GOVERNMENTAL - City calculation](#) and reviewed it to look for any

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unusual items and tied out the numbers to the statements.

2. We completed the attached reconciliation testing - see link to [GW Reconciliation Testing](#). We trended the reconciling items, looking for any unusual items and noted none. We reviewed each reconciling item and followed up on most to ensure they were supported and calculated accurately. We traced reconciling items to work that was done elsewhere in the audit to substantiate the items where we could or traced items to the City's conversion spreadsheet.

In our prior audit we reported a management letter based on their reconciliation and being unable to confirm all required entries were being performed. In our current audit we noted variances in several of the reconciling items. We documented the larger and or complex errors below or required additional description:

Capital outlay: The City is reporting \$4,608,118. This amount should be reporting current expenditures that relate to construction or acquisition of long-lived capital assets in the current period. Prior to 2020, the City reported the amount of capital outlay expenses on the Fund Statements less any capital lease issuances. In 2020, the City changed their method and tried to identify all expenses that directly related as the previous accounting manager rationalized it as capital outlay *less* capital leases still contained expenses that were not directly related to capitalizable costs.

In 2021 the City is reporting \$18 million as capital outlay in the Fund Statements but is only reporting \$4.6 million in their reconciliation as being directly related to construction or acquisition. The City followed the same methodology as the previous accounting manager without understanding the rational or function of these adjustments. Therefore the City was unable to supply support for how the remaining portion of capital outlay was not related to construction or acquisition of long-lived capital assets. **We ended up with an estimated \$8 million difference in current capital expenses for FY 2021.**

Internal Balances: the City's internal balances reported on the Statement of Net Position for governmental and business type do not agree, these amount should be reporting due to / due from between each other and therefore net to zero. In the City's reconciliation they added remaining amounts of *due from* and *due to* for interfund payments related to capital assets. However, we note any *due to* / *due from* related strictly to governmental would be removed in the elimination portion of the conversion. therefore there would be no need for these entries on the reconciliation as they would be included in the internal balances or eliminated. We note that this misunderstanding of the entries are small but likely are impacting the internal balances reported on the Gov-Wide statements causing a larger difference.

Within our testing linked above and also as described above we noted several reconciling items that did not appear accurately calculated or supported, and some items that were missing. We communicated these items to the City and added an item to the aggregation - see [Aggregation of Misstatements \(GAAP\)](#).

3. We completed the conversion entry checklist spreadsheet - see link to [Reconciliation checklist](#) to ensure the reconciliations included all relevant reconciling items. **As noted above, we noted some reconciling items that were missing from the City's reconciliation. Based on our testing, we decided to evaluate the control weakness(es) that lead to these errors within our perm file - see [FS Preparation](#).**

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D.4.PRG - Non-current Liabilities

Procedure Step: Non-current Liabilities Summary

Prepared By: SMM, 7/20/2022

Reviewed By: GTW, 8/25/2022

Record of Work Done.:

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.4.PRG - Non-current Liabilities

Procedure Step: Long-term Debt

Prepared By: SMM, 6/27/2022

Reviewed By: GTW, 8/2/2022

Record of Work Done.:

Background:

We gained our understanding of the material accounting systems during our permanent file work at: Long-Term Debt. We will not be relying on internal controls therefore, we have set control risk at MAX.

Material Balances:FY 2021 Material balances & Analytical

Accrued Interest Payable (Govt Activities) \$147,257 (Completeness)

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Accrued Interest Payable (Parking) \$7,274 (Completeness)
Due within one year (Govt Activities) \$34,377,807 (Completeness, Classification, Existence)
Due in more than one year (Govt Activities) \$68,112,711 (Completeness, Classification, Existence)
Current - Bonds, notes, and loan payable (Parking) \$785,000 (Completeness, Classification, Existence)
Bonds, notes, and loan payable (Parking) \$2,465,000 (Completeness, Classification, Existence)
Interest/Fiscal Charges (GO) \$19,309,559 (Completeness, Valuation)
Interest/Fiscal Charges (Agg Remain) \$225 (Completeness, Valuation)
Principal retirement (GO) \$6,030,259 (Completeness, Valuation)
Principal retirement (Agg Remain) \$5,000 (Completeness, Valuation)
Refunding of Debt (GO) \$17,540,812 (Completeness, Valuation)

Risk:

Accrued Interest Payable / Principal retirement - There is a risk that the City may not have correctly reported all interest payable related to reported debt amounts based on supporting debt schedules.

Interest/Fiscal Charges and Principle Retirement and Refunding of Debt - The City refunded instruments of debt instruments. There is a risk that the amounts reported are not supported by amortization schedules including the new amortization schedules for the refunded debt.

Due with / Bonds, notes and loans - There is a risk that the City did not correctly report the full amount of outstanding debt, or incorrectly classified amounts as current/noncurrent based on supporting debt schedules.

GL Tie Out:

We tied our material balances to the GL within our LT debt spreadsheet.

Audit Procedures & Results: 2021 COV Debt Notes to the Financial Statements

Completeness- We reviewed the minutes and EMMA for new debt issuances for the City. We noted the approval for refunding 2 different loans and a debt that was defeased. We confirmed with Carrie Lewellen, Treasurer that this was the only new activity. *No concerns noted.*

Valuation/Classification/Existence- We obtained the new amortization schedules from the Treasurer and input the information within our debt spreadsheet linked above. In the prior audit we noted that the City changed the way they amortize premiums/discounts. Previously they were amortized on a straightline basis whereas now they are amortized using a complex calculation performed by the City's Sympro Investment software. We confirmed the amounts per sympro tied to the GL and ultimately the FS within our debt work therefore, we are going to rely on the amounts calculated by the system as we determined these amounts are not material and they do not appear likely to result in an error. We re-calculated debt balances without concern within the attached spreadsheet above. During our calculation we identified one difference which was trivial therefore, we have not taken it to the agg. *No concerns noted.*

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D.4.PR.G - Non-current Liabilities

Procedure Step: Due to interfund advances

Prepared By: NAH, 8/3/2022

Reviewed By: GTW, 8/8/2022

Record of Work Done:

Background:

We gained our understanding of the material accounting systems during our permanent file work at: FS Preparation. We will not be relying on internal controls therefore, we have set control risk at MAX.

Material Balances: FY 2021 Material balances & Analytical

Due to interfund advances (PIF) \$813,975 (Existence)

Physical environment Expenditure (PIF) \$285,609 (Completeness)

Risk:

- **Due to interfund advances:** The General Fund provided a loan to the Park Impact Fees fund for the purchase of the Fenton property, which will be the site for a future City park. Our expectation of the City's amortization schedule and actual decrease does not agree. There is a risk the City is not reporting the proper balance of outstanding debt based on supporting records.
- **Physical environment Expenditure:** The Funds only expense is an interfund loan payment we would of expected of \$609k for principle and about \$21k for interest. We identified several offbook entries in this balance that we would consider a management override of control risk. There is a risk the City is not recording all expenses related to the interfund loan payment due to improper offbook entries (completeness)

GL Tie Out:

We tied our material balances to the GL and TRS as the City made several off-book entries to record these transactions:

Due to interfund advances (liability)

Fund	Account	Amount	Adjustment
196	255000	1,423,135	

City of Vancouver

196	255000	(609,160)	Offbook
		813,975	

Physical environment (expenditures)

Fund	Account	Amount	Adjustment
196	570000	130,744	Offbook Adj
196	570000	133,189	Offbook Adj
196	570000	(609,160)	Offbook Adj
196	570000	609,160	
196	570000	21,677	
196	570000	(1)	Statement Clean Up / Offbook
		285,609	

Audit Procedures & Results:

We obtained the interfund loan payment schedule which was included in the support for Journal Entry JE-00015521, see - Fenton Park Long-term loan from General Fund.

the Parks Impact Fee Fund took out a loan for **\$1,423,135** which was recorded in the City's GL as a due to interfund advance (liability). the City setup a payment schedule and made annual payments which were recorded through the GL. However the GL entry only hit cash and expenses between the PIF and General fund. The reduction of the liability was done in 2019 and 2020 as an off book adjustment; reducing the balance by **\$130,744 in 2019** and **\$133,189 in 2020**.

In 2021, the City made the annual payment as recorded in JE-00015521 mentioned above. Then when it came time to record the decrease in the due to the City only decreased the liability by the amount paid in the current year. this over stated the liability by the 2019 and 2020 payments (\$263,933). The Accounting Manager stated they were confused on why the prior offbook entries were made and attempted to recreate them in our reporting year. However the Accounting Manager took the prior years offbook entries and expensed them in 2021, seen above in our GL tie out. As this is an interfund loan between two funds it should be considered a balance sheet transaction and no expenses/revenues should be recorded to record principle payment (only the interest). The balance sheet transaction would move cash, reduce the liability, and reduce the receivable in the general fund.

The City misunderstood why the offbook entries were being made originally. We also documented this within our Management Override of Controls as the City does not have an adequate review to determine if offbook adjustments are accurate or supported, Management Override of Controls

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We recreated the accounts on how they should be based on 2019, 2020 and 2021 payments:

Due to interfund advances (liability)

Fund	Account	Amount	Adjustment
196	255000	1,423,135	
196	255000	(130,744)	Offbook for 2019 payments
196	255000	(133,189)	Offbook for 2020 payments
196	255000	(609,160)	Offbook for 2021 payments
		550,042	

Physical environment (expenditures)

Fund	Account	Amount	Adjustment
196	570000	609,160	
196	570000	(609,160)	Offbook due to being a balance sheet transaction
196	570000	21,677	
		21,677	

We took these errors to the aggregation of misstatements here [Aggregation of Misstatements \(GAAP\)](#)

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Reporting Entity

Prepared By: OT, 6/25/2022

Reviewed By: GTW, 8/15/2022

Record of Work Done.⁴

City of Vancouver

Our understanding of the reporting entity is documented in the permanent file based on prior audit work and work performed during planning steps. During the course of the audit, we were alert for any new information related to potential component units and other changes to the reporting entity such as mergers, divestitures, acquisitions or annexations.

We read and compared the description of the reporting entity in the financial statement note disclosures to our understanding of the reporting entity as documented in the permanent file.

The City discloses the Vancouver Public Facilities District (PFD), the Downtown Redevelopment Authority (DRA), the City Center Redevelopment Authority (CCRA), and the Cultural Arts and Heritage Commission as discretely presented component units and the Transportation Benefit District (TBD) as a blended component unit. These disclosures match our understanding of the reporting entity as documented in Entity Operations - GAAP

We gained an understanding of how component units are consolidated as part of our Financial Statement Preparation step in the permanent file and tested consolidation as part of our Agree Financial Statements to Accounting Records step.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Related Party Transactions

Prepared By: OT, 7/26/2022

Reviewed By: GTW, 8/15/2022

Record of Work Done:

STEP 1: Controls over Related Party Transactions:

The City's transactions with the related parties and joint ventures identified are disclosed in their notes. The accounting staff reviews the council packets and meeting minutes to identify related party transactions or actions being taken which might be new to related parties. The preparation of the Notes to the Financial Statements for FY2021 was shared between accounting staff. Throughout the year Natasha Ramras, Chief Financial Officer, attends all board meetings and is in the position to identify related parties activities. As part of her monthly review procedures and attendance of board meetings, she also performs weekly meetings with Cyndi Turner, Accounting Manager, and will notify Cyndi if there are any changes to the City's current related parties operations or if there were new operations discussed during the board meetings. Cyndi then notifies Anna Diaz, Accountant, of these transactions and activities and it is Anna's responsibility to ensure that related parties transactions and activities are properly coded within the Workday. Cyndi performs a monthly review of work performed by Anna, and at year-end Natasha reviews the Financial Statements and Notes, to ensure complete and accurate reporting of related party transactions.

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STEP 2: Identification of Related Parties:

Based on general procedures performed during the course of the audit, we updated our identification of related parties as documented in the permanent file Entity Operations - GAAP.

STEP 3: Identification of Related Party Transactions:

Based on general procedures performed during the course of the audit, we identified **the following** related parties that had non-trivial transactions with the government during the period:

- Council for the Homeless - this jointly Governed Organization is a collaborative effort to address issues of homelessness. The City provides funding to the Council as a grant subrecipient. In FY 2021, the City made subrecipient grant payment to the Council totaling \$146,026.
- Vancouver Housing Authority - is a municipal corporation under Washington State Charter 35.82.RCW, we noted that while the City disclosed this as a related organization, there are no related party transaction the notes disclose the incorporation of the Housing Authority and governed by a six-member board appointed by the Mayor to the City in accordance to the RCW.
- DRA - the DRA is a component unit of the City of Vancouver that constructed the Vancouver Conference Center and a hotel in downtown Vancouver, Hilton Convention Center, which was funded by proceeds from the sales of tax-exempt bond issued by the DRA. The bonds were secured by project revenues along with a credit equal to 0.033% of 1% of the sales and use tax collected within the City and a dedication of 50% of lodging taxes collected within the City. The City recognized \$1,024,520 in expenditures in the financial statements associated with lodging tax revenues dedicated to the project in FY 2021.

STEP 4: Evaluation of Transactions and Disclosures:

For our evaluation of transactions, we reviewed the Notes for proper disclosure. See Notes to the Financial Statements

- We reviewed Note 12 to the Financial Statements disclosure of the DRA as a related party which is a component unit of the City. We noted that related parties and commitments are disclosed within the notes.
- We reviewed Note 11 to the Financial Statements disclosure of the Council for the Homeless as a jointly governed organization and grant payments made. See Entity Operations - GAAP
- We noted that the Vancouver Housing Authority was disclosed in an accordance the RCW 35.82.

We determined that related parties transactions are properly disclosed, no concerns noted.

D.5.PR.G - Review Presentation & Disclosure

Procedure Step: Going Concern

City of Vancouver

Prepared By: OT, 6/25/2022

Reviewed By: GTW, 8/15/2022

Record of Work Done:

STEP 1: Evaluate risk indicators

We reviewed for potential financial condition risks within Financial Condition Analysis (GAAP)

We identified no conditions, events or issues that individually or in aggregate indicate there could be a substantial doubt about the City's ability to continue as a going concern for a reasonable period of time. We considered the general examples of conditions listed in the Testing Strategy which may indicate a going concern issue during this step and noted none were applicable to the City.

Based on our evaluations we noted no risk indicators.

Furthermore, we reviewed and assessed potential risks that are none financial related and from our inquiry with the City's Internal Auditor, Jordan Sherman and Accounting Manager Cyndi Turner, it was noted that in FY21 City's operations continued to increase and that projects started ramping up again after the FY 2020 state-wide shut down and imposed restrictions due to the COVID -19 pandemic. The City noted no negative impacts but continues to monitor and evaluate the City's financials monthly to ensure that any negative effects are detected and evaluated timely. At year-end, as part of the City's financial statement preparation process, the City's Accounting department performs a fund analysis, this is another method used to monitor and evaluate City's activities.

STEP 2: Conclusion about substantial doubt

After consideration of risk indicators and information obtained during the course of the audit as described above, we identified **no** conditions or events that (individually or in aggregate) which raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time before consideration of management's plans.

There were not conditions identified that would lead us to believe there is substantial doubt, thus steps 3-5 are not applicable.

STEP 3: Evaluation of management's plans

STEP 4: Review Financial Reporting

STEP 5: Audit Reporting

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D.5.PR.G - Review Presentation & Disclosure

Procedure Step: Management Override of Controls

Prepared By: OT, 7/26/2022

Reviewed By: GTW, 9/1/2022

Record of Work Done.*

Journal Entries:

Using Workday, we ran a 'Find Journals' query for all JE's posted to the December 2021 period. We obtained the listing and scanned all journal entries, looking for unusual or unexpected entries. The City no longer uses a ADJ period, thus we determined to focus on entries posted to December 2021. Within our scan, we did not identify any unusual/unexpected transactions.

We judgmentally selected entries based on the entry description, dollar amount and source type; we also looked for higher risk entries that may be more complex to test that they were adequately supported, reasonable, correctly classified, and posted to the correct period. We documented our testing of the nine selected journal entries at JE Testing. We noted an adjustment that has been done in the past as an offbook. The end result of this adjustment however does misclassify expenses between funds, we took this to our aggregation see, Aggregation of Misstatements (GAAP). We also noted one journal entry which was posted the debits and credits backwards in error, this resulted in a material error within parking revenues which we took to the aggregation.

Based on our risk assessment and understanding, we determined that further testing of journal entries throughout the period (in addition to any testing performed in other sections of the audit) is not necessary.

Evaluation of Estimates for Biases:

We identified no estimates giving rise to significant risks as documented in the Entity Operations step. See Entity Operations - GAAP

As part of our review over Entity Operations, we noted the following account estimates. We reviewed the following accounting estimates that are not controlled by management, and therefore identified no biases or risks.

- Worker's compensation claims liability- the City contracts with an actuary to perform this calculation.
- Property claims liability- the City contracts with an actuary to perform this calculation.
- OPEB (GASB 75)- the City contracts with an actuary to perform this calculation.

We also noted that the City performs estimates of useful lives of buildings in the Parking fund as a significant accounting estimate controlled by management. Small changes in the useful lives of the parking garage assets can cause significant changes to the statements. The City increased

City of Vancouver

the useful lives of two parking garages from 20 to 40 years, which must be estimated to calculate the assets depreciation. We reviewed the estimation of the useful lives of capital assets within the Parking Fund in the FY2020 audit, and noted no concerns. Additionally, we performed a capital asset analytical and noted no risks of estimated useful life.

- Useful lives of capital assets within the Parking Fund. The Parking Fund consists of 2 parking garages that are material to the fund. This makes the assumption of useful lives over these assets highly sensitive.

In addition, we generally considered accounting estimates and judgments made throughout the financial statements to evaluate the potential for a significant bias in aggregate. We identified no indications of management bias in aggregate.

Significant Unusual Transactions:

During planning and throughout the course of the audit, we identified the following significant unusual transactions:

- The City provided a "lead sheet" which is an export out of The Reporting Solution (TRS) to help assist in tying out material balances. The report included trial balance details and adjustments made within TRS. Per our scan of the adjustments, we noted six entries labeled as off-book, totaling about \$5,166,634 and other entries were for interfund eliminations, statement clean up, and closing revenue and expenses entries. From our inquiry with Cyndi Turner, Accounting Manager, these entries are performed to convert balances from Workday to TRS for financial statement reporting from Modified Accrual to GAAP.

Other Testing:

We considered whether any further special procedures were needed to address the risk of management override of control and we identified adjustments made in the TRS reporting software that are not made in the City's GL. We tested the various transactions below:

Offbook Entries - Lead Sheet Adjustment Review

We obtained information from Jordan Sherman, Internal Auditor for an off-book entry made to Affordable Housing for \$3,967,024, the largest off-book entry made as well as a \$563,202 Off Book entry for CED Grants. We noted that the off-book entries are part of a direct adjustment to the prior year fund balance ledger account 282100 that is made in the GL for tracking and an adjustment that is performed annually as part of the financial statement preparation process. These adjustments account for the difference in FY 2020 and FY 2021 ending balances for the ledger account 282100 Fund Balance or Net Position - Prior Year. Our review is documented here: [Lead Sheet Adjustment Review](#).

We noted one offbook entry that was a correction for an offbook entry in 2020. In 2020, the City did an offbook to increase expenses by \$291,181 by moving them from an Accounts Receivable holding account. This was an aggregation item in 2020 but we agree with the City the expenses should have been reported in 2020 so this off book to remove them from 2021 is appropriate. More information is in the attached spreadsheet and also in our JE testing ([JE Testing](#)).

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The other Offbook entries were related to an interfund loan. We documented our review of those Offbook entries here: [Due to interfund advances and LOR Summary](#)

Statement Clean-Up

We traced \$36,510,410 of the Statement Clean-Up adjusting entries from the Lead Sheet which was 92% of the total Statement Clean-Up entries to the GL and noted that they were all for removing accounts that were used in the operating book to capture the offset of increases and decreases to the deferred credits liability for impact fee credits owed to developers. They are removed during the conversion to GAAP for reporting purposes. Our work is documented here: [Lead Sheet Adjustment Review](#).

Closing Entries

Additionally, we traced \$362,076,008 of Closing Entries Rev to their respective Revenue accounts within the GL and tied them to the total ending balance for all revenue accounts within each fund. We traced \$274,482,701 of Closing Entries Exp to their respective Expenditure accounts within the GL and tied them to the total ending balance for all expenditures accounts within each fund.

Interfund Eliminations and Other Adjustments

We reviewed the interfund eliminations and noted they appeared reasonable. We reviewed the Classification and Reclass adjustments and noted that they appeared reasonable and all adjustments were made within funds.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Agree Statements to Accounting Records
Prepared By: HB, 7/5/2022
Reviewed By: GTW, 8/15/2022

Record of Work Done:

1. Check required Statements and Schedules

We reviewed all the financial statements and schedules prepared by the government for inclusion in our audit and considered whether any required statements or schedules had been omitted. We checked that all required statements and schedules were included by reviewing the GAAP Basis Counties, Cities, and Entities with Governmental Funds list of required statements in the Financial Statement Audit Report Standards Manual

City of Vancouver

- Part 3, Chapter 3 - Standard Statements and Schedules.

GAAP Basis Counties, Cities, and Entities with Governmental Funds:

- RSI - Management's Discussion and Analysis - [Included in the financial statements.](#)
- Statement of Net Position - [Included in the financial statements.](#)
- Statement of Activities - [Included in the financial statements.](#)
- Governmental Funds Balance Sheet - [Included in the financial statements.](#)
- Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - [Included in the financial statements.](#)
- Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance - [Included in the financial statements.](#)
- General and Major Special Revenue Fund Budgetary Comparisons - [Included in the financial statements.](#)
- Proprietary Funds Statement of Net Position (or Balance Sheet) - [Statement of Net Position is included in the financial statements.](#)
- Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position - [Included in the financial statements.](#)
- Proprietary Fund Statement of Cash Flows - [Included in the financial statements.](#)
- Statement of Fiduciary Net Position [separate columns for each fiduciary fund type: pension, investment, private purpose, and agency/custodial funds] - [Included in the financial statements with only custodial fund column.](#)
- Statement of Changes in Fiduciary Net Position [as they do not have operations, agency funds should not be reported in this statement, but with implementation of GASB 84 custodial funds should] - [Included in the financial statements with only custodial funds reported.](#)
- Notes to the Financial Statements - [Included with the financial statements.](#)
- RSI - General and Major Special Revenue Fund Budgetary Comparisons [if not included in the basic financial statements] - [Not applicable; included in the basic financial statements.](#)
- RSI - Information on Postemployment Benefits Other Than Pensions [if applicable] - [Included in RSI.](#)
- RSI - Infrastructure Condition and Maintenance Data [if applicable] - [Not applicable.](#)
- RSI - Pension Plan Information [see schedule listings in Financial Section table of contents below] - [Included in RSI.](#)
- SI - Schedule of Expenditures of Federal Awards (Schedule 16) [Single Audit only] - [Included.](#)
- SI - Notes to Schedule of Expenditures of Federal Awards [Single Audit only] - [Included.](#)
- SI - ACFR Combining Statements and Supplemental Schedules [ACFR only] - [Included in the financial statements.](#)
- OI - Introductory and Statistical Information [ACFR only] - [Included.](#)

We determined that all required financial statements and schedules **had** been prepared

2. Agree Statements to Accounting Records

For all balances selected for testing within the Material Balance Spreadsheet Summary (FY 2021 Material balances & Analytical), we agreed statements to the accounting records for selected material figures using the GL trial balance.

We also evaluated and reviewed year end adjusting journal entries in the Management Override of Controls step.

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3. Check Comparative Presentation

Not applicable – the government did not present comparative statements.

D.5.PR.G - Review Presentation & Disclosure

Procedure Step: New GASB implementation

Prepared By: NAH, 7/20/2022

Reviewed By: GTW, 8/15/2022

Record of Work Done:

STEP 1: Understanding of overall controls over new standards implementation

In addition to controls over financial statement preparation as documented in the permanent file folder, we identified the following overall controls relevant to implementation of new accounting standards:

As part of the closing process, the City considers prior year's GFOA comments and any new accounting standards to ensure they are properly reflected in the financial statements. When new GASBs are issued the City ensures that staff is adequately trained by reading the GASB's and attending trainings. Jordan Sherman, Internal Auditor, researched the new GASBs and prepared a training for the accounting staff to help with the implementation of the ARO GASBs. Also see, [FS Preparation](#) for confirmation of controls.

STEP 2: Identification of Applicable New Standards:

We initially considered whether any new GASB statements were effective for the current period and inquired with management about them as part of our Understanding Entity & Environment and Risk Assessment Inquiry steps, respectively, during planning. Based on general procedures performed during the course of the audit, we re-evaluated our initial identification of applicable new GASBs as documented at [New GASB Standards](#).

STEP 3: Testing implementation

We identified no new GASBs for fiscal year 2021.

D.5.PR.G - Review Presentation & Disclosure

City of Vancouver

Procedure Step: MD&A
Prepared By: HB, 6/29/2022
Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following **required** procedures when evaluating the MD&A:

We documented our review here - [MD&A & 2021 ACFR \(All Auditor Comments\)](#)

- We inquired with management about the methods of preparing the information, including:
 - We confirmed that the MD&A was measured and presented in accordance with GAAP.
 - We verified that methods of measurement or presentation have not been changed from those used in the prior period.
 - We verified that there were no significant assumptions or interpretations underlying the measurement or presentation of the information.
 - We read the MD&A for consistency with inquiry and knowledge obtained during the audit. Items and explanations met our expectations with minor exceptions documented in the link above.
 - We tied figures reported in MD&A to the financial statements or underlying accounting records. We noted minor variances.
 - We checked that all and only the following required elements were addressed:
 - The MD&A included discussion of the basic financial statements
 - The City presented two years of condensed comparative data (current and preceding fiscal periods).
 - The City included an analysis of the change in the government's overall financial position.
 - Fund analysis was included. We noted Parking services Fund did not have a detailed analysis and also communicated other improvements to the City's analysis of other funds.
 - Budget variances in the general fund.
 - Capital asset and long term debt activity.
 - The City does not use a modified approach to infrastructure.

City of Vancouver

- Discussion of other potentially significant matters. This includes explanations regarding COVID-19, other economic factors, and next year's budgets and rates.

We performed the following procedures as **additional considerations** in determining whether MD&A contains required elements and is prepared in accordance with GAAP:

- We checked that the overall analysis specifically addresses whether the entity's overall financial position has improved or deteriorated, and noted no specific address.
- We verified that the overall analysis separately addresses governmental activities and business-type activities.
- We checked that discussion addresses whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use, and noted no significant explanation for restrictions. Explanations for fund resource plans were given.
- We noted that discussion and explanation of significant budget variances in the general fund was given.
- We verified that significant capital asset and long term debt activity has been summarized with a reference to the applicable note for details. The MD&A does not repeat the full details from the note.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Government-Wide Statements

Prepared By: NAH, 8/19/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** for reviewing presentation of government-wide statements:

Government Wide Statement of Net Position

- We footed and cross-footed the statement.
- We read the statement to look for obvious errors and for the proper title, date and formatting. We specifically checked that:
 - We checked that the date was presented correctly, as "December 31, 2021"

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- We verified that the statement includes columns for Governmental Activities, Business Activities, Total Primary Government, and two Component Unit columns for discretely presented component units.
- We verified that the statement contains line items for capital assets and long term debt, applicable to all presented columns.
- We verified that the Net Position section includes line items for Net Investment in Capital Assets, Restricted Net Position and Unrestricted Net Position.

We attempted to recalculate the restricted pension asset and utilized the notes to determine the methodology as required by BARS. We were unable to calculate or identify the City's method in the Notes - Aggregation of Misstatements (GAAP)

- We checked the following statement relationships:

- Assets + Deferred Outflows - Liabilities – Deferred Inflows = Net Position

$\$1,293,248,648 + 11,352,704 - 188,343,730 - 73,770,332 = \$1,042,487,290$

$\$657,195,298 + 3,275,986 - 21,404,697 - 17,366,739 = \$621,699,848$

$\$1,950,443,946 + 14,628,690 - 209,748,427 - 91,137,071 = \$1,664,187,138$

$\$47,070,912 + 834,507 - 59,448,255 - 0 = -\$11,542,836$

$\$4,654,331 + 0 - 1,043,258 - 0 = \$3,611,073$

- We verified that total Net Position ties to the Statement of Activities, within \$1.
- We verified that the Governmental Activity net position ties to the reconciliation with the Governmental Funds Balance Sheet.
- We verified that the Business Type Activity net assets tie to the Proprietary Funds Statement of Net Position.

Government Wide Statement of Activities

- We footed and cross-footed the statement.
- We read the statement to look for obvious errors and for proper title, date and formatting. We specifically checked that:
 - We verified the date is presented as "For the Year Ended December 31, 2021"
 - We verified that expenses are presented in the first column, followed by program revenues, then net expense/revenue
 - We confirmed that Governmental and Business Activities are presented separately
 - We confirmed that Governmental Activities are presented by program/function.
 - We confirmed that Business Type Activities are presented by activity.

City of Vancouver

- We confirmed that General Revenues are presented separately from program revenues.
- We verified that the City's special items, extraordinary items, and transfers had been separately presented after general revenues.

We performed the following list of **additional considerations** for reviewing presentation of government wide statements:

Government Wide Statement of Net Position

- We checked that the statement includes a reference to the notes.
- We checked supporting schedules to ensure that the correct funds were reported in each column:
 - We would expect the general fund and all special revenue, debt service, capital project, permanent and internal service funds, along with any governmental-type blended component units, to be included in the Governmental Activities column.
 - We would expect all enterprise funds and any proprietary-type blended component unit to be included in the Business Type Activities column.
 - Fiduciary funds and fiduciary-type component units are not included in the government wide statements.
 - All discretely-presented component units should be presented their respective component unit columns.
- We verified that assets and liabilities are presented in order of liquidity.
- We checked that internal balances between Governmental Activities and Business Type Activities columns are presented on separate line items and are eliminated on the total primary government column.
- We checked that balances between the Primary Government and any discretely-presented Component Units are separately presented and labeled appropriately.
- We reviewed supporting schedules to ensure that internal activity within each column has been properly eliminated.

Government Wide Statement of Activities

- We checked that the statement includes a reference to the notes.
- We checked that all expenses are reported by function (with governmental, business type and discretely presented component unit functions listed separately) with the following exceptions:
 - Special items, extraordinary items, and transfers, with transfers being ordered last, are reported in a separate category after general revenues.

City of Vancouver

- We verified that the City does not have depreciation expense that cannot be identified with a function. Therefore, there is no separate reporting for “Unallocated Depreciation Expense”.
- We verified that the City does not have interest expense on general long-term liabilities that cannot be identified with a function. Therefore, there is no separate reporting.
- We checked that program-specific revenues are reported by function the following three categories:
 - Charges for services.
 - Operating grants and contributions.
 - Capital grants and contributions.
- We checked that general revenues are reported at the bottom of the statement, along with transfers. We verified that general revenues do not include shared revenues from taxes levied by other governments that are designated for a specific function. General revenues do include:
 - Taxes and special assessments not restricted to a specific function.
 - Investment earnings not restricted to a specific program.
- We checked that there are no direct adjustments to equity except for prior-period adjustments.
- We determined that the classification of programs and departments to reported function appear appropriate.
- Review supporting schedules to determine if internal service fund revenues and expenses have been eliminated. To the extent that internal service fund revenues and expenses are already reflected in the programs, only the net gain or loss from each internal service fund should be closed to the appropriate function. Gains would reduce function expense and losses would increase it. [We reviewed the conversion and amount included as well as any errors or concerns here, Gov-Wide Rec](#)
- We determined that balances and transactions between governmental and business-type activities have been eliminated in the “Total Primary Government” column.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Reconciliation to Govt Funds

Prepared By: NAH, 8/19/2022

Reviewed By: GTW, 8/29/2022

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Record of Work Done.:

We performed the following **required** procedures for reviewing presentation of the reconciliations between governmental fund statements and government-wide statements:

- We traced beginning balances to fund statements.
 - We footed the reconciliations. *We verbally communicated that the way it is presented can be confusing to foot.*
 - We traced the ending balance to government wide statements
 - We scanned reconciling items and detailed explanations to determine if reconciling items appear complete and clearly described.
- No concerns noted.**

We performed our more complete review of the reconciliation here, [Gov-Wide Rec](#)

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Reconciliation to Proprietary Funds

Prepared By: HB, 7/5/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done.:

If there are differences between total net assets reported on the Proprietary Fund Statement of Net Position and in the Business-Type Activities column on the Government-Wide Statement of Net Position, the differences should be reconciled on the bottom of the Proprietary Fund Statement of Net Position or in a separate statement.

If no reconciliation is presented, check that the business-type column on the government-wide statements matches exactly the totals for enterprise funds on the proprietary fund statements.

No reconciliation is presented. The business-type column on the government-wide statements **matches exactly** the totals for enterprise funds on the proprietary fund statements.

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D.5.PR.G - Review Presentation & Disclosure

Procedure Step: Governmental Fund Financial Statements

Prepared By: HB, 7/5/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** for reviewing presentation of fund financial statements:

Governmental Funds Balance Sheet

- We footed and cross-footed the statement.
- We read the statement to look for obvious errors and for proper title, date, and formatting. We specifically checked that:
 - The date is "December 31, 2021"
 - Major funds are presented in separate columns.
 - Major funds presented are the same as those described in Note 1
 - Total non-major funds are presented in a single column.
- We determined that the statement appears to be reported on the modified accrual basis. No capital assets or long term debt is reported. Unearned revenue is reported as well.
- We check the following financial statement relationships:
 - $\text{Assets} = \text{Liabilities} + \text{Deferred Inflows} + \text{Fund Balance}$
 $\$392,150,376 = 44,451,748 + 1,790,034 + 345,908,594$
 - We tied total fund balance to the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance

- We footed and cross-footed the statement and tied beginning fund balances to prior year ending fund balances.
- We read the statement to look for obvious errors and for proper title, date, and formatting. We specifically checked that:
 - The date is "For the Year Ended December 31, 2021"
 - Major funds are the same as the governmental funds balance sheet.
 - Expenditures are categorized as current, capital outlay, and debt service.

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- Transfers, proceeds of debt issuance, and sale of capital assets are reported as other financing sources (uses).
- We determined that the statement appears to be reported on the modified accrual basis. No depreciation or amortization is reported. Also, capital outlay and debt proceeds are reported.

The following is a list of **additional considerations** in reviewing presentation of fund statements:

Governmental Fund Balance Sheet:

- We verified that only one general fund is reported.
- We tied total cash and investments from the Governmental Funds Balance Sheet and the internal service fund column on the Proprietary Funds Statement of Net Position to the Governmental Activities column on the government wide Statement of Net Position in the amount of \$401,950,800.
 - We verified that nonfinancial assets were not included in the reporting.
 - We checked for proper terminology used in the equity section:
 - The term "fund balance" is used, rather than "net position".
 - Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned.
 - No negative balances are shown for nonspendable, restricted, committed, and assigned sections. Only unassigned fund balance is negative if other categories exceed total fund balance.
 - Positive unassigned fund balance is only shown for the general fund.

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance

- We verified that the term "expenditure" is used on this statement, rather than "expense."
- We verified that revenues are classified by source.
- We evaluated whether revenue classifications are appropriate and detailed enough to be meaningful. **No concerns noted.**
- We checked that expenditures are classified by character. This includes current, capital outlay, and debt service.
- We verified that proceeds from refunding of debt had been reported as an other financing source.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Proprietary Fund Financial Statements

Prepared By: HB, 7/5/2022

City of Vancouver

Reviewed By:

GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** for reviewing presentation of fund financial statements:

Proprietary Funds Statement of Net Position

- We footed and cross-footed the statement.
- We read the statement to look for obvious errors and for proper title, date, and formatting. We specifically checked that:
 - The date is "December 31, 2021".
 - Major enterprise funds are presented in separate columns.
 - Major funds presented are the same as those described in Note 1.
 - Total non-major enterprise funds are presented in a single column.
 - All internal service funds are presented in a single column to right of enterprise fund total.
 - A classified approach is used, presenting assets and liabilities as current and non-current.
 - The equity section consists of three accounts: Net Investment in Capital Assets, Restricted Net Position (Restricted for Capital Purposes), and Unrestricted Net Position.
- We checked the following financial statement relationships:
 - $\text{Assets} + \text{Deferred Outflows} - \text{Liabilities} - \text{Deferred Inflows} = \text{Net Position}$
 $\$610,537,669 + 2,847,572 - 16,493,489 - 14,049,911 = \$582,841,841$
 $\$17,493,652 + 68,489 - 3,554,794 - 538,450 = \$13,468,897$
 $\$29,663,680 + 359,925 - 1,856,117 - 2,778,378 = \$25,389,110$
 $\$657,695,001 + 3,275,986 - 21,904,400 - 17,366,739 = \$621,699,848$
 $\$102,501,153 + 1,511,923 - 16,363,189 - 11,322,769 = \$76,327,118$
 - We tied total net position for enterprise funds to the Business Type Activities column on the government wide statement of net position.
 - Total net position ties to the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position.

Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position

- We footed and cross-footed the statement.
- We read the statement to check for obvious errors and for proper title, date, and formatting. We specifically checked that:
 - The date is be "For the Year Ended December 31, 2021".
 - Major funds are the same as the proprietary fund statement of net position.

City of Vancouver

- The statement is formatted with Operating and Non-operating sections.
- Note disclosures related to prior period adjustments and transfers have been reported.

The following is a list of **additional considerations** we performed when reviewing presentation of fund statements:

Proprietary Funds Statement of Net Position

- We tied total cash and investments from the Total Enterprise Funds column to the Business-Type Activities column on the government wide Statement of Net Position in the amount of \$148,470,798.

Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position

- We verified that the term "expense" is used on this statement, rather than "expenditure."
- We confirmed that revenue and expense classifications are appropriate and detailed enough to be meaningful.
- We checked that any tax and grant revenues are classified as NON-operating revenues. The City reported no tax and grant revenues.
- We checked that any capital contributions and transfers are reported as separate items after non-operating revenues and expenses.
- We checked that there are no direct adjustments to equity.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Fiduciary Fund Financial Statements

Prepared By: HB, 7/5/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** for reviewing presentation of fund financial statements:

Statement of Fiduciary Net Position

City of Vancouver

- We footed the statement.
 - We read the statement to check for obvious errors and for proper title, date, and formatting. The date is "December 31, 2021". We noted an error as the City is reporting a construction in progress balance within their fiduciary fund. We took this error to the aggregation - Aggregation of Misstatements (GAAP)
 - We specifically checked that fiduciary funds are presented in separate columns by fund type. The City only presents one fund ("Custodial Funds").
 - We checked the following financial statement relationships:
 - Assets – Liabilities = Net Position
- \$1,620,547 - 3,914 = \$1,616,633

Statement of Changes in Fiduciary Net Position

- We footed the statement.
- We read the statement to check for obvious errors and for proper title, date, and formatting. We specifically checked that:
 - Date is "For the Year Ended December 31, 2021".
 - Agency funds are not be presented.
 - The City is only reporting one column for fiduciary funds, titled "Custodial Funds".
 - All changes are presented in two sections: Additions and Deductions.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: Statement of Cash Flows

Prepared By: HB, 7/8/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** in order to ensure that the statement agrees with other audited statements: Financial Statements

- We footed the and cross-footed statement.
- We read the statement to look for obvious errors and for proper title, date and formatting (see BARS manual or GAAFR for examples). We specifically checked that:

City of Vancouver

- There are four sections: (1) cash flows from operating activities, (2) cash flows from non-capital financing activities, (3) cash flows from capital and related financing activities and (4) cash flows from investing activities.
- A reconciliation of net cash flows from operating activities to net operating income is included.
- We checked the following statement relationships in this reconciliation:
 - We traced beginning and ending cash and cash equivalents to the Proprietary Fund Statement of Net Position, noting that Cash and Cash Equivalents included as part of Restricted Assets is included in a reconciliation shown on the face of the Statement of Cash Flows.
 - We traced net operating income to the same figure on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position.
 - We traced net cash provided by operating activities to the same figure on the Statement of Cash Flows above the reconciliation and **noted the following errors:**
 - Water/Sewer net cash provided by operating activities is off by \$834,263.
 - Total net cash provided by operating activities is consequently off.
 - We traced depreciation expense and any prior period adjustment affecting the calculation of net operating income to the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, and **noted the following error:**
 - Internal Service Fund depreciation on the statement of cash flows is over by \$28,679. This is double the amount of Amortization of ARO Deferred Outflows on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In addition we also noted concerns with capital contributions, specifically:

- Water Sewer fund is reporting the full amount as a cash activity and also stating that about \$9 million of that is a non cash activity
- Non-Major funds are not reporting any of the capital contributions.

We performed following **additional considerations** for verifying agreement with other audited statements and in reviewing presentation:

Cash Flows from Operating Activities

- We evaluated whether cash transactions have been appropriately classified to this section. Operating Activities includes all cash related to transactions and events reported as part of operating income in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. In addition, the operating activities category has been used for any cash inflow or outflow that cannot properly be classified in one of the other three categories.
- We checked that major classes of cash receipts and payments are reported separately (gross) rather than being netted. We verified that the following major classes are reported separately, as applicable:
 - Cash receipts from customers

City of Vancouver

- Receipts from other funds for interfund services
- Other operating cash receipts (Cash received from other operating activities, receipt of operating grants and contributions)
- Cash payments to employees for services
- Cash payments to other suppliers of goods or services
- Cash payments to other funds for interfund services.
- Other operating cash payments (not applicable).
- Revolving fund loans (not applicable).
- We verified that receipts and payments of interest are NOT be included in cash flows from operating activities.
- We compared cash received from customers and cash paid to suppliers and employees to each other, to operating income, and to total cash expenses for reasonableness.
- We reviewed the City's calculation of net cash received from customers, and determined that it was correct. This calculation was adding charges for services revenue to the difference between the netted accounts receivable balances for FY 2020 and 2021.
- We verified the calculation of cash paid to employees through reviewing ledger accounts in Workday, and confirmed that the City's reported numbers were correct. In the Statement of Cash Flows, these were presented as the change in amounts for personnel services. We tied the ending balances of personnel services to the general ledger.

Cash Flows from Non-Capital Financing Activities

- We evaluated whether cash transactions have been appropriately classified to this section. Non-Capital Financing Activities should include all the following cash flows, as applicable:
 - Borrowing and repayments (principal and interest) of debt that is NOT clearly attributable to capital purposes. - Not applicable.
 - Borrowing to finance program loans. - Not applicable.
 - Grant proceeds not specifically restricted to capital purposes (Contributions from contracted service provider, Contracts receivable).
 - Grant payments (both capital and otherwise) to other governments - Not applicable.
 - Transfers to and from other funds.
 - Tax receipts not attributable to capital purposes (Non-capital insurance recoveries).
 - Interest paid on noncapital-related vendor payables - Not applicable.
 - We tied the transfer to and from other funds amounts to Workday support and the Statement of Revenues, Expenses, and Changes in Net Position. We also tied transfers to the City's provided calculations for the Statement of Cash Flows.
- We noted an error in the City's transfers from other funds balance for Non-major Enterprise Funds. The City included three amounts in this balance, one of which is due from other governmental units from the Solid Waste fund. This is incorrectly classified, and overstated transfers from other funds by \$19,360. We have taken this error to the aggregation of misstatements, here: Aggregation of Misstatements (GAAP)

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Cash Flows from Capital and Related Financing Activities

- We evaluated whether cash transactions have been appropriately classified to this section. Capital and Related Financing Activities should include all the following cash flows, as applicable:
 - Borrowing and repayment (principal and interest) of debt clearly attributable to capital purposes is included.
 - Proceeds of capital grants and contributions.
 - Transfers from other funds for capital purposes (Not applicable).
 - Payments related to the acquisition, construction, or improvement of capital assets.
 - Sale or involuntary conversion of capital assets (Proceeds from sale of capital assets).
 - Capital-type special assessments (Not applicable).
 - Tap fees in excess of actual cost of connection (Not applicable).
 - Taxes levied specifically for capital purposes or related debt service (Not applicable).
- We traced debt principal and interest payments to debt schedules in the Notes to the Financial Statements.
- We reviewed the City's calculations for purchases of capital assets, and determined it was performed correctly. The calculation involved taking year-end net capital assets and adding non-current capital assets held for resale. Then an adjustment was made to remove depreciation from the difference between the prior year and current year calculations.

Cash Flows from Investing Activities

- We evaluated whether cash transactions have been appropriately classified to this section. Investing Activities should include all the following cash flows, as applicable:
 - Receipt of interest - Not applicable.
 - Loan collections (except for certain program loans) - Not applicable.
 - Proceeds from the sale of investments - Not applicable.
 - Receipt from the sale of investments - Not applicable.
 - Changes in the fair value of investments subject to fair value reporting and classified as cash equivalents - Not applicable.
 - Loans made to others (except for program loans) - Not applicable.
 - Purchase of investments - Not applicable.
 - The only item the City includes here is investment earnings (losses).

Non-Cash Transactions:

- We checked that the statement lists significant non-cash investing, capital, and/or financing activities of the period that affected recognized assets or liabilities but did not result in cash flows. These items included:
 - Capital assets donated.
 - Net change in fair value of investments.
 - Capital assets financed with accounts payable.

We checked that significant transactions involving both cash and non-cash components clearly describes cash and non-cash aspects of the

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transaction.

D.5.PR.G - Review Presentation & Disclosure

Procedure Step: Note Disclosures

Prepared By: KH, 8/5/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done:

We performed the following procedures that are **required** to test presentation and disclosure assertions (occurrence and rights and obligations, completeness, classification and understandability, accuracy and valuation): Notes to the Financial Statements & 2021 ACFR (All Auditor Comments)

- We scanned the notes to check for the following:
 - Missing disclosures - We noted no missing disclosures.
 - Disclosures that haven't been updated from the prior year. - We noted minor outdated components to disclosures that we identified in the attached notes.
- We read the notes and determined that disclosures agree with information obtained during the course of the audit and are clearly expressed. We noted a few minor formatting and spelling errors that we documented in the attached notes.
- We footed and cross-footed the tables - we documented within the attached notes the discrepancies identified due to footing errors.
- We traced certain amounts from the notes to the financial statements or source documents. We documented the amounts we tied in the attached notes. Additionally, we noted a few errors with items not tying to support or financial statements. This has also been documented in the attached notes.

D.5.PR.G - Review Presentation & Disclosure

City of Vancouver

Procedure Step: RSI
Prepared By: NAH, 8/11/2022
Reviewed By: GTW, 9/1/2022

Record of Work Done:

The following procedures are **required** to be performed: RSI

- Inquire of management about the methods of preparing the schedules, including:
 - Whether it is measured and presented in accordance with GAAP *RSI is presented in accordance with GAAP*
 - Whether methods of measurement or presentation have been changed from those used in the prior period and the reasons for any such changes *No changes*
 - Whether there were any significant assumptions or interpretations underlying the measurement or presentation of the information *No significant assumptions or interpretations were used in the measurement or presentation of the information.*
- Verify that RSI is included with all and only the required elements *All required elements were included*
- Read the schedule for consistency with inquiry and knowledge obtained during the audit *Information presented is consistent with knowledge obtained during the audit*
- Foot and cross-foot schedules and tie key figures reported in the schedules to the financial statements and underlying accounting records. *Footed/cross footed without concern.*

The following procedures are **additional considerations** in determining whether RSI contains required elements and is prepared in accordance with GAAP:

Budgetary Comparison Schedule

- Budgetary comparison schedules are required for all funds with legally required budgets. The title should be "Schedule" when included in RSI.

NOTE: governments have the option of presenting budgetary comparison schedules as statements following the governmental funds statement of revenues, expenditures and changes in fund balances rather than as RSI. If presented as a statement, the title should be "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual," but all other information should be the same. Also, if presented as a statement, the auditor will need to modify the financial opinion and table of contents accordingly.

We reviewed Budget and Actuals and ensured those presented within the Statements were titled as 'Statement' and those presented within RSI were titled as 'Schedules'.

City of Vancouver

- Whether methods of measurement or presentation have been changed from those used in the prior period (such as the basis of accounting for the budget) and the reasons for any such changes,

No changes noted.

- Consider the basis of accounting for the budget and legal questions about budget compliance during inquiry regarding methods and assumptions.

The City uses the GAAP basis for accounting. No concerns noted.

- Verify that a budgetary comparison is included for the general fund and each major special revenue fund and that no other funds are included.
 - General Fund - Reported as statement no concerns
 - Fire - Reported as statement no concerns
 - Street - Reported as statement no concerns
 - ARPA - Reported as a statement no concerns

- We checked that each schedule shows:
 - The original adopted budget (1st complete appropriated budget)
 - The final amended budget (the ultimate appropriation authority for the period – may at times occur after the close of the fiscal period)
 - The actual amounts (inflows and outflows)
 - Variance columns are optional (encouraged but not required by standards).
- Compare the reported original and final budgets to adopted budget documents approved by the governing body. We documented our testing here: [2021 Budget To Actual Reconciliation](#)

The general fund budget should be presented as adopted. If managerial special revenue funds have been rolled up into the general fund, a perspective difference will exist. This will require a reconciliation to tie the budgeted fund to the rolled up governmental fund operating statement fund balance. Likewise, if there are other basis of accounting, timing, or perspective differences between the budgetary comparison schedules and the governmental fund operating statement, then a reconciliation must be presented. See GASB Codification section 2400 for discussion and criteria.

- Compare reported actual amounts to audited financial statements

We compared amounts to audited financial statements and noted no variances.

City of Vancouver

- Check that there is a reconciliation – if needed – between expenditures reported on the schedule and those reported on the operating statement. At minimum, the reconciliation should categorize differences among (1) basis-of-accounting differences, (2) timing differences, (3) perspective differences, or (4) reporting entity differences.

The city is reporting the entire General Fund in their Budget and Actual Statement, we determined no reconciliation was required.

- Check that the RSI notes disclose the basis of accounting for budgetary schedules if different than GAAP.

N/A: The City utilizes GAAP for reporting.

Pension Trend Data (if applicable)

Pension Trend Data is required for all defined contribution plans. Auditors should use the "GASB 68 Pension Balances" step in the non-current liabilities folder to review RSI and contact the Pension and OPEB specialist for guidance, if needed. Our work is documented here: [GASB 68 State Pension Plan Balances](#)

Other Post Employment Benefits Trend Data (if applicable)

See the Baseline Testing procedure "GASB 45 OPEB Balances" when reviewing RSI related to OPEB plans for the required elements. Contact the Pension and OPEB specialist if guidance, as needed. Our work is documented here: [GASB 75 OPEB Balances](#)

Public Entity Risk Pools Schedule of Revenues and Claims (if applicable)

Not applicable

Infrastructure Condition and Maintenance Data (if using modified approach)

Not applicable

Audit Report modifications:

Not applicable

D.5.PR.G - Review Presentation & Disclosure

Procedure Step: Consistency of Statements

Prepared By: KH, 8/5/2022

Reviewed By: GTW, 8/29/2022

City of Vancouver

Record of Work Done.:

Based on review of note disclosures and procedures performed during the course of the audit, we noted the following:

New Standards

Financial statements reflect implementation of **no** new accounting standards.

Other Changes in Accounting Principle

Financial statements reflect **no** other changes in accounting principles.

Changes in Reporting Entity

Financial statements reflect **no** changes in the reporting entity.

Prior Period Adjustments

Financial statements reflect **the following** prior period adjustments.

The City reported a prior period adjustment of \$1.295 million in the Parks Construction Fund for a land donation received from Clark County in 2007. The land parcel was not added as a donated asset in the year it was acquired, and was discovered when the City sold a portion of the parcel in 2021. The City obtained a fair market value estimate from Clark County to determine the value of this prior period adjustment. This adjustment increases the beginning fund balance to correspond with the movement of revenue recorded in 2021 back to 2020.

Significant Changes in Classification

We identified **no** significant changes in classification from prior financial statements.

D.5.PRG - Review Presentation & Disclosure

Procedure Step: SI and OI

Prepared By: KH, 8/5/2022

Reviewed By: GTW, 8/29/2022

Record of Work Done.:

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Supplemental Information (on which we will give an "in-relation-to" opinion)

If a client requests additional schedules to be included with the published financial report that are not required by GAAP (other than the SEFA, ACFR, HUD or PFC schedules as described in the ARS manual and covered in other steps), auditors are **required** to:

N/A: The only supplementary information or other information included in the published financial statements (SEFA and ACFR items) are addressed in other steps.

Other Information (on which no assurance will be given)

If a client requests additional information to be included with the published financial report that is not required by the GAAP, auditors are **required** to:

N/A: No other information included.

D.6.PR.G - Revenues

Procedure Step: Revenues Summary

Prepared By: NAH, 8/30/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done:

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.6.PR.G - Revenues

Procedure Step: Parking - Rents & Royalties - Occurrence & Valuation

Prepared By: HB, 8/29/2022

City of Vancouver

Reviewed By:

LRO, 9/20/2022

Record of Work Done:

Background:

We gained an understanding of the Parking Fees & Permit Revenues system during planning procedures and assessed control risk at **LOW**. Therefore, we will place reliance on control testing from our prior year audit. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Parking - Rents and Royalties - \$3,161,956 - [Occurrence & Valuation](#)

Risk:

There is a risk revenues for meter sales (short term parking and on-street parking) is not supported by actual amounts collected ([occurrence](#)). There is also a risk revenues for long term space and facilities leases are not recorded in the period earned or are not being calculated at the correct, effective rates ([valuation](#)).

We tied the account balances to the GL, here: GL Tie - Parking Rents & Royalties

Audit Procedures/Results:

Our population for rents and royalties of \$3,269,967 was made up of the following:

Parkeon - \$807,777

Loomis - \$181,933

Passport Parking (Parking Kitty) - \$611,570

Parking Permits - \$1,644,307

Permit Refunds - \$(7,835.51)

Car Pool On-Street Parking - \$546.76

Law Enforcement On-Street Parking - \$12,072.58

RC0269 Tree Conservation Donation - \$200

Misc. Short-Term Parking - \$14,850

Event Parking (Short-Term) - \$4,543.25

RC0260 Interfund Transfer, Spaces & Leases - \$(266.67)

City of Vancouver

Total: \$3,269,697

362000 Rents and Leases: \$3,269,697

We selected the highlighted amounts for testing and did not select the remaining balance as it is immaterial.

Short term and on-street parking (Occurrence):

We used the small population substantive statement sampling sheet to make a selection of transactions to test. We set our tolerable misstatement to 3.7%, per the material balance spreadsheet. Our control risk is low. Due to testing controls in the PERM and receiving revenue from three different vendors (Parkeon, Passport Parking, and Loomis), we elected to separate our population by vendor and sample each list of receipted revenues separately. This allowed us to set our required level of assurance to low, leading to a sample size of:

- Parkeon - 41
- Loomis – 5
- Passport Parking (Parking Kitty) - 11

We obtained Parkeon and Passport Parking (Parking Kitty) reports for the selected dates. For the Loomis transactions, we reviewed the attached support within Workday by looking up the ad hoc bank transaction number. We tested to ensure amounts collected and counted by the city's three vendors, Loomis, Passport Parking, and Parkeon, matched the actual amounts of revenue recorded. Additionally, bank statements were used to tie individual transaction amounts. Our work can be reviewed in tabs "Meter Revenue - Parkeon", "Meter Revenue - Loomis Coin," and "Parking Kitty Revenue," here: [FS Sampling - Parking Revenues](#) . **We noted no exceptions within our testing.**

Long term (permitted) on-street and lot parking (Valuation):

We used the FS Substantive Sample spreadsheet to make a selection of transactions to test. We set our expected misstatement rate to 0% and our tolerable misstatement rate to 3.7%, per the material balance spreadsheet. Since our control risk is low, we set our required assurance level to low, leading to a sample size of 43. We tested to ensure permit charges were correctly calculated. Our Sample Determination and our individually significant items work can be reviewed in tab "Permit Revenue" here: [FS Sampling - Parking Revenues](#) We completed permit testing in a separate workbook, here: [Permit Testing](#).

In our review of an "All Transactions" report to find the permit revenue population, we noted that the City included two journal entries for yearly accruals. One journal entry increased revenue for 2021 from revenue received in advance in 2020 for \$120,218.39 and was performed correctly. The second journal entry increased revenue by \$150,175 in an accrual journal entry for revenue received in advance at year-end 2021, but this journal entry should have decreased revenue. This resulted in an overstatement of revenues by \$300,350. We have taken this error to the aggregation of misstatements, here: [Aggregation of Misstatements \(GAAP\)](#).

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D.6.PRG - Revenues

Procedure Step: Utilities
Prepared By: SMM, 6/27/2022
Reviewed By: GTW, 8/5/2022

Record of Work Done:

Background:

We gained our understanding of the material accounting systems during permanent file work at [Utility Billings](#). During our process for relying on prior year tested controls we did not identify any significant deficiencies therefore, we have set control risk at LOW.

Material Balance: [FY 2021 Material balances & Analytical](#)

Charges For Services ([Water/Sewer](#)) \$124,310,850 ([Completeness/Occurrence/Valuation](#))

Receivables (net) accounts ([Water/Sewer](#)) \$19,514,173 ([Completeness/Existence](#))

Risk:

[Charges For Services](#)- There is a risk utility billings are not being charges at the correct rates and accurately calculated. There is also a risk that revenues are not supported by actual billings and the City is not recording revenues in the correct fiscal period.

[Receivables](#)- There is a risk that based on the city's method for recognizing unbilled revenues at year-end that amounts reported as AR are not completed and occurred within the correct fiscal period.

GL Tie Out:

We tied our MB to the GL without concern.[Utility GL Tie Out](#)

Audit Procedures & Results:

Since we have set our control risk at LOW we have performed a utility analytical over water, sewer, and storm charges which is documented here: [Utility Analytical](#)

A rate increase was effective January 1, 2021 which was the only increase during the period. The rates are documented within the attached spreadsheet above on the "Rate Trend" tab of the analytical. We used the Vancouver Municipal Code to obtain the new utility rates. Based on the

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new rates we developed the following expectations:

- Water 5% (took the average)
- Sewer .7%
- Storm 5%

We are not taking water consumption into account for sewer as it is based on winter averages and increased consumption during peak summer months would not affect sewer billings.

Water

We reviewed past audits from 2016 through 2020 to determine, historically, how close we've come between actual and expected revenues when performing a utility analytical. We noted that for both water and sewer we've come within +/- 3%. Therefore using our methodology for calculating expended revenue, we are setting our expectation to within 3%. This variance is to account for items not factored into our calculation including timing of new customers base rates (*we averaged total new customers at 50% so half a year of the total base charges*), varied water usage between customers of different classes, water usage report not deducting spillage, fire use, etc. **We noted the actual increase/decrease met our expectation, as the difference was -2.31%.** See the "water revenues to customers" tab in the analytical for details.

Sewer

We set our expectation to +/-3% for the same justification explained above. This variance is to account for items not factored into our calculation including timing of new customers base rates (*we averaged new total new customers at 50% so half a year of the total base charges*), varied water usage between customers of different classes. Additionally, we are not taking water consumption into account because sewer uses winter averages to exclude higher usage during summer months. **We noted the actual increase/decrease met our expectation, as the difference was 2.71%.** See the "sewer revenues to customers" tab in the analytical for details.

Stormwater/Drainage

We set our expectation to +/-3% for the same justification explained above. This variance is to account for items not factored into our calculation including timing of new customers base rates (*we averaged new total new customers at 50% so half a year of the total base charges*). **We noted the actual increase/decrease met our expectation, as the difference was 1.6%.** See the "storm revenues to customers" tab in the analytical for details.

Valuation

In the FY2019 audit (07Vancouver-AC19-SA19), testing of automatic controls for billing calculations was performed, with no exceptions identified. No changes have occurred to the software system, or billing procedures since the previous audit. For this audit, we will rely on the automatic controls used to calculate utility charges.

Receivables-

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Revenue earned in 2021 but billed in 2022	\$9,760,708
Revenue earned in 2020 but billed in 2021	\$(8,730,351)
Net Effect	\$1,030,357

The City performed their first year-end accrual entry for un-billed revenue in 2021. We spoke with Erin Jacobson, Accountant, and obtained the calculation spreadsheets for the FY2020 accrual. Using reports that included all revenue billed within the first 62 days of 2021 and 2022, Erin determined the meter read date for each bill and then calculated the number of days of service that was applicable to each year. He also determined the average cost per day for each bill and then multiplied that by the number of days for each year. We obtained both spreadsheets used to perform this calculation. We reviewed the date billed column and confirmed that there were multiple bills for each date (Monday-Friday excluding holidays) between 1/1 and 3/4 for both 2021 and 2022. We tested the formulas within the worksheet and determined they were accurate and being calculated effectively.

For the consideration of the completeness of revenues we reviewed Erin's comparative revenue by category by year within the EIB tab.

FY21 Utility Revenue Accrual We ran revenue reports in workday using ledger accounts 343400, 343500, 343100 for the period of 1/1/22 through 2/28/22 and were able to compare total revenues to total billed within 4% (workday revenues being less than billed activity). We did not run this report for the 4 days into March. We would also consider the revenues per workday to be less than billed. We determined the data the City used was accurate and complete.

Additionally we tied the total revenue earned in 2021 but billed in 2022 back to JE-00016744 without concern.

D.6.PRG - Revenues

Procedure Step: Capital Impr - Unearned Rev and CFS

Prepared By: HB, 7/14/2022

Reviewed By: GTW, 8/3/2022

Record of Work Done.:

Background:

We gained an understanding of the FS Preparation system during planning procedures and assessed control risk at Max. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

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Material Balances: FY 2021 Material balances & Analytical

- Charges for Services (Capital Improvement) \$4,350,229 - [Occurrence](#)
- Unearned Revenue (Capital Improvement) \$5,047,608 - [Completeness](#)

Risk:

Unearned Revenue: Funds collected from Fire District #5 in advance for the construction of Fire Station 11.

There is a risk the City did not report the full amount of the unearned revenue liability based on the agreement with Fire District 5, the amount of funds received from the District, and the amount of project construction costs incurred (Completeness).

Charges for Services: Capital Improvement: There is a risk that the occurrence of these revenues is not supported by the MOU agreement or supporting project invoice/cost documentation (Occurrence).

We tied the account balances to the GL, here: Unearned Rev GL Tie

Audit Procedures/Results:

Unearned Revenue (Revenues Collected in Advance)

We noted that the Unearned Revenue balance is made up of funds collected in advance from Fire District #5 for the construction of Fire Station 11.

We noted the following changes to the Unearned Revenue balance in 2021:

Beginning Balance	9,375,434
Expenditures	(4,327,826)
Ending Balance	5,047,608

The expenditures (\$4,327,826) are the portion of the funds collected from Fire District #5 that were spent on the Fire Station 11 project during the year, thus being "earned." We tested the expenditures below.

Charges for Services

We reviewed JE-00016814 which reclassified \$4,327,826 from Unearned Revenue to Charges for Services. This journal entry included attachments that outlined the process for determining this amount and a spreadsheet listing all account activity for Project - PRJ051009 - Fire Station 11 Development. This spreadsheet documented a total of \$4,327,826 in expenses. We noted the following:

Expense Category	Amount	Percentage
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Invoices	\$ 3,073,414	71%
Payroll	\$ 49,626	1%
Interfund Transfer	\$ 616,890	14%
Procurement Card Transaction Verification	\$ 8,187	0.19%
Year-End Exp Accruals	\$ 579,709	13.39%
Total	\$ 4,327,826	100%

Additionally, the Charges for Services balance includes an additional amount of \$22,403 unrelated to unearned revenue. This is an accounts receivable balance related to fund 336, the capital improvement fund. This brings the total for the charges for service balance to \$4,350,229.

Because supplier invoices make up 71% (\$3,073,414) of expenditures and interfund transfers make up 14% (\$616,890) of expenditures, we will be focusing our testing on these two items for a total of 85% of expenditures tested.

We utilized the following report parameters in Workday to determine which invoices were charged to the Fire Station Project:

COV - Account Inquiry

Journal Source = Supplier Invoice

Year = FY 2021

Project = PRJ051009

This resulted in 38 supplier invoices. We utilized this report to document the accounting date, vendor, invoice number, and dollar amount. Due to the large amount of invoices, we used judgmental selection to test the largest invoices to get a material portion of the balance and to ensure they occurred and were a valid expense of the Fire Station 11 project. We tested 30 invoices, with the tested dollar amount making up 99% of the total supplier invoices balance. We then reviewed the supporting documentation that was attached to each supplier payment within Workday to validate what the reasons for the expenses were. We documented our review here: [Unearned Revenue/CFS Invoice Testing](#) **No concerns noted.**

Additionally, the following report parameters in Workday were used to determine what made up the interfund transfer for the Fire Station Project:

COV - Account Inquiry

Journal Source = Interfund Transfer

Year = FY 2021

Project = PRJ051009

We noted that one transaction was recorded for the total amount of the interfund transfer. This transfer was out of the fund that holds the unearned revenue balance, fund 335 - Fire Acquisition Fund, and into fund 152 - Fire Equipment Fund. This transfer was coded to the Fire Station 11 project, and was a vehicle transfer related to operations of Fire Station 11. We reviewed the agreement here: [Fire Station 11 Construction](#)

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Agreement We noted that the transfers of money out of unearned revenue for the operations of Fire Station 11 are allowed, and the money can be deemed "earned." Additionally, an amendment to the Station 11 agreement was created in 2019, stating that Fire District 5 would provide an additional \$1,009,845 to the City of Vancouver for the construction of Fire Station 11, including equipment purchases. This amendment is here: Station 11 Amendment. **No concerns noted.**

Our testing of the interfund transfer was performed here: Unearned Rev Interfund Transfer **No concerns noted.**

D.6.PRG - Revenues

Procedure Step: Park Impact Fees CFS - Valuation/Occurrence

Prepared By: HB, 8/8/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done:

Background:

We gained an understanding of the Impact Fees system during planning procedures and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances:

Charges for Services

Park Impact Fees: \$3,574,567 (Valuation, Occurrence)

Risk:

There is a risk impact fees are not correctly calculated based on rates/formulas supported by City ordinance (valuation). Additionally there is a risk the revenue do not relate to the period (occurrence).

Auditor Procedures/Results:

We agreed material balances to the GL, here: PIF Charges for Services - Tie to GL

The calculation of park impact fees is performed by INFOR/Hansen software and is an automated control. We confirmed this control within our

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PERM file: [Impact Fees IT Control Testing - Software Calculation](#) .

For testing occurrence, we judgmentally selected multiple permits from different periods throughout the year to address our risk that the revenue does not relate to the period. For valuation, as the charges rely on a system to assign the correct value we ensured our selection included amounts from each park district, including both residential and commercial permits. This totaled 28 permits we tested in our spreadsheet, here: [Park Impact Fee Recalculation](#). **We noted errors with the wrong year's rate being billed.**

Expanded Testing and evaluation of errors:

We had noted variances regarding the applicable rate per the Vancouver Municipal Code. Certain permits that had been received in 2021, for example, had the 2020 rate applied, and vice versa. Upon inquiry, Kristin Lehto explained that the date the permit was received is not an indicator of the applicable rate, but rather are vested based on the approval date of the associated Land Use Permit (LUP). However, in 2021, this vesting section of the code was removed so LUP applications that received approval after August 2021 would be charged at the current rate. Kristin provided us with additional support for applicable land-use permits to tie out our variances in which rates were used.

Due to the circumstances where variances would occur, we expanded our testing to include all transactions that were at risk due to having LUP's approved prior to 2021. We noted two factors in the INFOR system regarding the applicable rate during our testing:

- If the permit receipt date occurred before the land use permit (LUP) approval date, the vested rate associated with the LUP approval date would be ignored. The current rate would be applied instead, resulting in an overcharge.
- If two LUPs were associated with one permit, the system would pull from the newest LUP rather than the older one, ignoring the vested rate and resulting in an overcharge.

We expanded our testing to include permits that were most at risk based on the bullets above and that were identified by Kristin and the City's permitting IT staff. We reviewed a population of 146 permits that met that criteria. Of those 146, we found **29 billings** had either (1) the permit received date before the land use permit or (2) had multiple LUPs **which resulted in errors**.

In addition Kristin also brought to our attention **three permits that contained user entry errors** (CMI-295041, CMI-271604, CMI-271592). We documented our expanded testing here, [Park Impact Fee Recalculation](#)

To ensure we identified all errors to the point that our risk of a material misstatement is low we scanned the list of permits reviewed by Kristin (the 146 population minus 32 as described above). From that list we are able to see the permit total price, unit rate, plan approval date, building approval date, park district, and application number. We then compared each per unit price to our rate table in the testing spreadsheet to determine if it was based on the correct year's rate (based on the approval date). From our scan the rates appeared accurate. Our scan included a total of \$1,090,246 in total permit revenue.

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In conclusion we tested \$2,136,904 in permit revenues about 60% of the revenue balance. Including scanned items we reviewed a total of \$3,227,150 in permits, this is about 90% of the revenue balance. We note the remaining permits consist primarily of properties with 1 to 4 units which would be at a lower risk of causing material errors.

We have taken our identified errors to the aggregation of misstatements, here: [Aggregation of Misstatements \(GAAP\)](#)

D.6.PRG - Revenues

Procedure Step: Consolidated Fire Fund - Occurrence

Prepared By: KH, 8/8/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done:

Background

We gained an understanding of the <[Centralized Receipting](#)> system during planning procedures and assessed control risk at **Max**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances

[FY 2021 Material balances & Analytical](#)

Charges for Services - Consolidated Fire Fund: \$12,488,120 (Occurrence)

Risk

Fire: The significant portion is related the Fire District 5 contract. There is a risk that the City did not accurately record revenues based on the current year service contract.

Auditor's Procedures/Results

We tied out the material balance to the GL here: [Consolidated Fire - Agree to GL](#).

We reviewed the 2016 agreement between the City and Fire District 5 [Fire District 5 Services Agreement](#), which remains in effect until either a new

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agreement is reached or the District no longer exists. Per the agreement, the annual obligation of the district is adjusted annually based on expected expenses and recommended budgets. The obligation is recalculated yearly within the Exhibit C spreadsheet near the beginning of the new fiscal year. Additionally, a reconciliation is performed at the end of each year, adjusting for expenses approved or incurred within the fiscal year. This reconciliation, also calculated using Exhibit C, may change the amount of the District's obligation.

We reviewed the final Exhibit C for FY 2020 FD5 2021 Calculations - 2021 Supplemental 1 - Final-Alt, the contribution calculation spreadsheet, which reports the Total Fire District 5 Contribution due to the City as \$10,788,948. We noted the spreadsheet included formulas to calculate the new base amount owed each year, and included formulas to separate new agreed upon expenses between the city and the county's shares. The sheet included GL reports, which supported the agreed upon expenses. Based on our review, the City appears to have correctly calculated their revenues for the current year based on the contract.

Per the contract, the district is to pay the agreed upon amount in at least two payments, one required before June 1 and the other before December 15. The first payment is to be equal to 50% of the district's annual obligation. The second payment should be equal to the balance of the District's required contribution. Per the original Exhibit C for 2021, the total amount owed by the District was \$10,749,237. The City submitted their first request for payment to the Fire District on 5/12/2021 for \$5,374,619 based on the initial Exhibit C from the start of the year. We obtained bank statements from the City and identified the receipt of this payment on 6/2/21.

Subsequently, the Exhibit C was amended to include a few unexpected expenditures including vehicle purchases for the Chief and Deputy Chiefs, a contract increase for the EMS Medical Program Director, and FTEs that were frozen during the 2020 Budget reduction process were reinstated. Per the final Exhibit C, the Fire District owed the city a total of \$10,788,948 for FY 2021. The City requested a second payment on 10/14/2021 for \$5,374,619. The City also requested an additional payment of \$39,711 on 10/14/2021 which was the remainder of the Fire District's obligation to the City per the final Exhibit C. We obtained bank statements from the City and identified the receipt of the payments from the Fire District on 2/11/22.

We reviewed the BARS manual 3.6.9.30 to determine whether the funds received after the fiscal period could be classified as revenue. Per the BARS manual, the Government can choose the length of the availability period. We reviewed the City's Notes to the Financial Statements to determine the City's length of availability period. Per Note 1c, the City considers revenues to be available if they are collected within 60 days after year end. We requested the bank statements and identified the receipt of the funds. The City collected the funds from the Fire District 42 days after the end of the year. Therefore, we determined that the City correctly classified the amount received as revenue.

Payment Request Date	Payment Amount
5/12/2021	\$5,374,619

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10/14/2021	\$5,374,619
10/14/2021	\$39,711
<i>Total:</i>	\$10,788,948

No concerns.

D.6.PRG - Revenues

Procedure Step: Other Taxes II
Prepared By: HB, 8/9/2022
Reviewed By: GTW, 8/30/2022

Record of Work Done:

Background:

We gained an understanding of the Centralized Receipting system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balance:

Other Taxes

- General Fund - \$58,866,871 ([Occurrence](#), [Valuation](#), [Completeness](#))
- Street Fund - \$6,529,013 ([Completeness](#), [Occurrence](#))
- Aggregate Remaining - \$11,848,493 ([Completeness](#), [Occurrence](#))

Risk:

General Fund - City Owed Utility Taxes: There is a risk that utility taxes (B&O) are not correctly calculated on utility billings and City owed utility taxes recorded are not supported by valid source records ([Occurrence](#), [Valuation](#))

General Fund - Remaining Utility Taxes: There is a risk that taxes on utilities not offered by the City are not recorded to the correct period or supported by valid source records ([Occurrence](#), [Completeness](#)).

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Street/Aggregate Remaining: There is a risk that the City is not appropriately recording tax revenues for the correct period based off of valid supporting documentation ([Completeness](#), [Occurrence](#)).

Audit Procedures/Results:

We tied the material balances to the GL without exception here: [Agree to GL - Taxes](#)

General Fund - City Owed Taxes: We began by determining the amount of B&O tax revenue that had been made up of utility taxes. To determine this, we ran a detailed report for the governmental statement of revenues and expenses for the B&O tax in TRS, then traced amounts to the utility tax revenue for funds 444, 445, and 475. Then, we ran an account inquiry obtaining all B&O tax revenues from the general fund by filtering for all revenue codes pertaining to B&O taxes. We were able to trace the total to be \$58,139,604.11. Then, we filtered for the revenue codes RC0002, RC0003, and RC0515 to obtain all utility taxes that are included in the reported amount for B&O tax. The fund breakdown is as follows:

- Fund 444 - \$6,074,001
- Fund 445 - \$13,611,097
- Fund 475 - \$15,320,889
- Total - \$35,005,987
- Percentage of City owed utility tax as a portion of B&O - 59.47%

To test that utility taxes occurred within the correct account period and were correctly calculated, we recalculated utility taxes by taking the reported utility revenues and applying the utility tax percentage to the revenues recorded for FY 2021. We noted that certain types of revenues are excluded from utility taxes per the Vancouver Municipal Code, such as non-court fines and penalties, and other revenues. The tax is applied almost exclusively to Sales & Service revenues. We reviewed JE-00015710 in Workday which included the City's year-end calculation worksheet for utility tax transfers. We compared revenues included and excluded to the VMC to ensure that only allowable revenues had been subject to tax. We used the tax rate per the VMC to recalculate the tax amount to ensure that it was calculated correctly.

Our testing is documented here: [Utility Taxes Testing](#) [We noted minor variances that are below our floor, so we are passing on further review. No concerns noted.](#)

General Fund - Remaining Utility Taxes:

We expanded testing to examine taxes on utilities not offered by the City. This included taxes on gas, electricity, and solid waste/garbage. We ran the report "COV - Account Inquiry" and focused on revenue categories RC0001, RC0101, and RC0301. We then looked into the ending balance details of each revenue category, and selected all transactions making up the balances for testing. We reviewed support/billings to tie to the GL amount and evaluated whether the amount was recorded to the correct period. Our testing is here documented here, in the "Expanded Testing" tab: [Utility Taxes Testing](#)

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Street Fund:

The Street fund other tax balance is made up of 50% of total REET tax revenues. To test REET taxes, we reviewed all county remittances and obtained the state remittance amounts from the Sales Tax spreadsheet, as linked below. We compared the amounts reported on the financial statements to the amounts remitted to the City by the state and county treasurer. We noted both the County and the State treasurer's distributions were on a one month timing delay.

Our testing of state tax revenues is documented here [State Treasurer Distributions FYE 12-31-2021](#) and our REET testing is documented here [2021 REET Testing](#).

Aggregate Remaining:

The other 50% of REET taxes is included in the Aggregate Remaining Balance - see testing at [2021 REET Testing](#). We noted minor variances below our floor in our REET testing, discussed here: [Other Taxes](#) **No concerns noted.**

D.7.PRG - Net Position & Adjustments

Procedure Step: Net Position & Adjustments Summary

Prepared By: SMM, 7/6/2022

Reviewed By: NAH, 7/19/2022

Record of Work Done:

(1) Do the results of substantive tests indicate a need to modify our risk assessments (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.7.PRG - Net Position & Adjustments

Procedure Step: Net Investment in Capital Assets

Prepared By: HB, 6/29/2022

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Reviewed By: GTW, 8/5/2022

Record of Work Done:

Background:

We gained an understanding over the FS Preparation process during planning procedures and assess control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing, and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Net Investment in Capital Assets ([Valuation](#))

- Governmental Activities \$634,753,811
- Water/Sewer \$446,621,474
- Parking \$4,960,519
- Agg Remaining (ISF/Enterprise) \$31,324,402

Risk:

There is a risk the City is not accounting for all required components and therefore improperly calculating Net Investment in Capital Assets.

Auditor Procedures and Results:

We used the City's financial statements to obtain figures and performed a re-calculation of net investment in capital assets for the following funds: governmental activities, water/sewer, parking, and the aggregate remaining, which is made up of internal service funds and enterprise funds. We documented our work in the following spreadsheet: 2021 Net Investment in Capital Assets Testing.

We noted that the City left out the ISF capital assets in the calculation for governmental activities, resulting in an understatement on the Statement of Net Position of \$23,351,956. We have taken this to the aggregation of misstatements, here: Aggregation of Misstatements (GAAP)

All other balances tested agreed to the City's calculations.

D.7.PRG - Net Position & Adjustments

Procedure Step: Restricted Fund Balance - Street

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Prepared By: HB, 7/12/2022
Reviewed By: LRO, 9/16/2022

Record of Work Done.

Background:

We gained an understanding of the FS Preparation system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

Consolidated Street Fund, Restricted - \$1,600,000 ([Classification](#))

Risk:

The Street fund is reporting a new restricted fund balance of \$1.6 million. There is a risk the city is incorrectly classifying fund balance.

The City's policy is to expend restricted funds first. There is a risk the city performed the work and should of used the restricted funds first and is therefore incorrectly classifying fund balance.

Auditors Results/Procedures:

We noted that the balance was comprised of interfund transfers from the Transportation Benefit District (TBD) fund. Throughout FY 2021, four payments of \$400,000 were contributed to this fund balance for purposes of "TBD support of pavement management" according to the line memo in the journal entry transactions.

Additionally, the City uses a classification tool for governmental fund balances. It is noted that these transfers from the TBD fund are comprised of only vehicle fees that is restricted by State Law - RCW 36.73.065. The revenue is generated by vehicle tab fees that can only be used for the voter approved project. We reviewed an interlocal agreement as well as an ordinance between the City and the Vancouver Transportation Benefit District that acknowledges RCW 36.73.065. See here: [2nd 20 resolution \(002\)M-4139 TBD Creation Final Ordinance](#)

RCW 36.73.065: "...taxes, fees, charges, and tolls may not be imposed by a district without approval of a majority of the voters in the district voting on a proposition at a general or special election."

We spoke to Shannon Turk, senior financial analyst, and Ryan Miles, engineering program manager, who are from the City. They stated that the

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street fund has received revenues from the transportation benefit district for multiple years, and they are unaware of any change to these funds. Additionally, over \$10,000,000 was spent on pavement management out of the street fund in 2021, and we reviewed an expense report out of Workday for support of this. They also clarified that the transportation benefit district funds were only one of the funding sources into the street fund for pavement management. Additionally, it is the City's policy to spend restricted funds first. We spoke to Cyndi Turner, Accounting Manager, and she clarified that this is a classification error and the funds be reclassified as assigned. This error is due to the public works department using the money but not alerting the accountants, resulting in a year-end restricted balance. We have taken this error to the aggregation of misstatements, here: [Aggregation of Misstatements \(GAAP\)](#)

D.7.PRG - Net Position & Adjustments

Procedure Step: PPA- Valuation/Occurrence

Prepared By: SMM, 7/1/2022

Reviewed By: LRO, 9/16/2022

Record of Work Done:

Background:

We gained an understanding over the [FS Preparation](#) process during planning procedures and assess control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing, and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balance: [FY 2021 Material balances & Analytical](#)

Prior Period Adjustments [\(Gov't Act\)](#) \$1,295,000 [\(Valuation/Occurrence\)](#)

Risk:

The City sold part of a parcel that they received in 2007 as a donation from Clark County (the asset was never recorded on the books). There is a risk that the sale did not take place during the reporting period. There is an additional risk that the estimate the City received from the County to properly value the asset is not adequately supported or reasonable.

GL Tie Out:

Fund	Cost Center	Ledger Account	Revenue Category	Ending Balance
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City of Vancouver

343 Parks Construction Fund (Capital Projects only)	CC0121 PKS-Parks Acquisition & Development	388100:Prior Period Adjustment(s)	RC0409 Prior Period Corrections 388800	(1,295,000.00)
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We tied our material balance to the GL using the COV Composite Trial Balance With RC and SC Tax Report without concern.

Audit Procedures & Results:

Donation

The City acquired the property from the County via Quit Claim Deed. Upon performing a Quit Claim Deed a Real Estate Excise Tax Affidavit must be completed which lists out the sale price of the property along with the amount of tax is owed related to the sale of the property. This form is then filed with the County Auditor. From review of the Affidavit the sale price was \$0 which meets our expectation since the property was donated from the County to the City. This document was signed by both County and City representatives on December 14, 2007 and shows an assessed value of \$1,295,200 Based on our review of the documents the City did receive the property in question (Revised Lot 6 of Berdie Acres) as a donation from the County. We obtained all of the documents listed above from Cyndi Turner, Accounting Manager. In addition we reviewed the Quit Claim Deed through the County Assessor's website.

To test that the City has not previously recorded this asset we reviewed the City's asset listing for Land and filtered for all land assets recorded with acquisition dates in 2007 and 2008 and noted only one amount in excess of a \$1million dollars which was the West Barracks at \$5M. We determined based on this scan that this donation had not been recorded in the City's assets.

Sale

We obtained the Settlement Statement for American Land Title Association from Cyndi Turner, Accounting Manager. The Settlement Statement showed property being sold between the City and Evergreen School District. The sale occurred on April 23, 2021 in the amount of \$950,223.88 of this amount \$946,958.88 was paid to the City. We obtained a bank receipt showing the wire transfer being received by the City on April 24, 2021 in the amount outlined in the Settlement statement. As part of the sale a boundary line adjustment was done to split the single parcel into 2 sections one section being retained by the City and the second section being purchased by the District. Within the signed boundary line adjustment agreement it states that 4.76 acres are being transferred to the District. Per review of the County Assessor's website of the remaining parcel owned by the City they were left with 2.2 acres.

Valuation

We noted a trivial difference in the prior period adjustment amount. We would expect the prior period adjustment to be \$1,295,200 because that was the assessed value of the property when the City received the donation per the recorded Real Estate Excise Tax Affidavit. This results in a \$200 difference which is trivial therefore, we did not follow up on why the City did not record the additional \$200.

As a result of our testing we confirmed the value of the prior period adjustment within a trivial amount and confirmed the transaction supporting the adjustment occurred within the reporting period. **No concerns noted.**

City of Vancouver

D.8.PR.G - Rely on Work of Others

Procedure Step: Rely on Specialist - Actuary

Prepared By: KH, 6/28/2022

Reviewed By: GTW, 7/26/2022

Record of Work Done:

Assessment of Competence, Capabilities and Objectivity of Specialist

We assessed the competence, capabilities and objectivity of the specialist, specifically considering factors described in the testing strategy.

In order to sign statements of actuarial opinion, an American actuary must be a Member of American Academy of Actuaries (MAAA). After our review of both reports, we noted that they were signed by Daniel R. Wade, FSA, EA, MAAA – Principal and Consulting Actuary, and Jessica M. Gardner, ASA, MAAA – Consulting Actuary, both of whom are members. We reviewed their memberships here: <https://www.actuarialdirectory.org/>

- Daniel has 20 years of experience in the employee benefits field. He specializes in pension valuations for more than 20 municipal plans in the Washington state fire and police system and manages LEOFF 1 retiree medical benefit valuations. **His license appears active.**
- Jessica has been a member since 2015 and specializes in retirement plans. **Her license appears active.**
- Our office has not had any issues with Milliman that we are aware of. Our Office has had long experience working with Milliman, who are known to be qualified and have experience with Washington OPEB plans reported in accordance with GASB.

Understanding of Specialist's Work and Conclusions

We gained an understanding of the specialist's procedures and conclusions, including the methods and assumptions used, and noted the following:

- Objectives and scope of the specialist's work - Milliman's objective is to assist the City in fulfilling its financial accounting requirements for FY21 related to GASB 75 for LEOFF 1 retirees.
- Intended use of the specialist's work to support the audit objective - To support the valuation of financial statement balances related to OPEB.
- Specialist procedures and conclusions - The specialist relied on information provided by the City related to statutory provisions, member census data, and financial information.
- Assumptions and methods used by the specialist

City of Vancouver

Economic Assumptions

Investment rate of return (discount rate) - 2.00%

Long-term expected rate of return – 2.00%

Noneconomic Assumptions

Active and service-retired members - Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.

Actuarial Assumptions Display for Notes to Financial Statements

Valuation date - 1/01/21

Actuarial Cost Method – Entry Age Normal

Evaluation of Specialist's Work

Relevance and reasonableness of the specialist's methods and assumptions

All assumptions and methods appear reasonable based on our understanding.

Appropriate tests of source data provided by the entity to the specialist.

We obtained the data spreadsheets provided to Milliman by the City. We utilized this information and tied 2021 figures to the GL as documented in GASB 75 OPEB Balances, with no variances.

Relevance and reasonableness of the specialist's conclusions.

Milliman's conclusions are as follows:

Fire: Milliman Fire

- FY20 Total OPEB Liability: \$30,013,119
- FY21 Total OPEB Liability: \$28,677,795
- FY20 Discount Rate: 2.00%
- FY21 Discount Rate: 2.00%
- Changes for the year:
 - Balance as of Dec 31, 2020: \$30,013,119
 - Interest on total OPEB liability: \$591,312
 - Effect of economic/demographic (gains) or losses: \$73,997
 - Effect of assumptions changes or inputs: (\$1,101,157)
 - Expected benefit payments: (\$899,476)
 - Balance as of December 31, 2018: \$28,677,795
- OPEB Expense:
 - Interest on total OPEB liability: \$591,312

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- Recognition of DI/DO:
 - Recognition of economic/demographic (gains) or losses: \$73,997
 - Recognition of assumption changes or inputs: \$(1,101,157)
- OPEB expense: \$(435,848)

Police: Milliman Police

- FY20 Total OPEB Liability: \$18,681,968
- FY21 Total OPEB Liability: \$17,868,750
- FY20 Discount Rate: 2.00%
- FY21 Discount Rate: 2.00%
- Changes for the year
 - Balance as of Dec 31, 2020: \$18,681,968
 - Interest on total OPEB liability: \$365,737
 - Effect of economic/demographic gains or losses: \$329,429
 - Effect of assumptions changes or inputs: \$(714,232)
 - Expected benefit payments: \$(794,152)
 - Balance as of December 31, 2021: \$17,868,750
- OPEB Expense:
 - Interest on total OPEB liability: \$365,737
 - Recognition of DI/DO:
 - Recognition of economic/demographic (gains) or losses: \$329,429
 - Recognition of assumption changes or inputs: \$(714,232)
 - OPEB expense: \$(19,066)

Based on the data provided by the City and number of retirees for each plan, conclusions provided appear reasonable.

Verifying that the specialist's conclusions are reflected in the financial statements

We agreed the total OPEB liability to the government wide statements and the notes to the financial statements. Further, we agreed the OPEB expense to the reported amount within the notes to the financial statements. We also agreed the change in discount rate tables within the actuary report to the notes to the financial statements.

If the specialist used was employed or contracted by management, add an additional representation to the Management Representation Letter related to the work of the specialist. We added the additional representation; see: FS Letter of Representation.

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D.8.PRG - Rely on Work of Others

Procedure Step: Rely on Other SAO Work

Prepared By: NAH, 1/13/2023

Reviewed By: LRO, 1/13/2023

Record of Work Done:

To ensure adequate communication and coordination of work performed as a separate engagement by SAO on components, auditors are **required** to perform the following procedures:

- Document in the Audit Plan the effect of the work performed as a separate engagement by SAO. Identify which opinion units and/or balances we plan to rely on this other work and mark the applicable rows or columns on the Material Balance spreadsheet to indicate our reliance. [We documented in the FS Audit Plan \(FS Audit Plan\) the effect of the work performed as a separate engagement. We identified which opinion units we plan to rely on this other work and marked the applicable rows or column on the Material Balance Spreadsheet indicate our reliance - FY 2021 Material balances & Analytical](#)
- Ensure communication of the following:
 - Related parties identified [The following identified related parties have been communicated and meet our expectation based information obtained throughout the audit and past experience with both entities:](#)
 - [Downtown Redevelopment Authority \(DRA\):](#)
 - [City of Vancouver - Debt Guarantee/lodging tax contributions](#)
 - [City of Vancouver PFD/Clark County PFD - Sales tax credit revenues](#)
 - [Hilton Hotels - manages Hotel Conference/Convention Center project](#)
 - Significant risks and any other relevant matters identified - [No significant risk identified in the DRA audit that would impact the City audit.](#)
 - Materiality and tolerable misstatement thresholds used. - [We reviewed the audit and determined the appropriate thresholds were used.](#)
 - Any indicators of possible management bias regarding accounting estimates and the application of accounting principles. - [No exceptions identified in the audit regarding accounting estimates or application of accounting principles.](#)
 - Other matters that may be relevant to the primary government's audit, such as exceptions noted in the component's management representation letter. - [No issues identified in the audit.](#)
 - Audit results - [We have completed all financial statement audit work for DRA and will issue an unmodified opinion.](#)

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- Review the results of separately performed work and incorporate results into the audit of the primary government, including the following, as applicable:
 - Aggregation of misstatements - [DRA: We have added immaterial misstatements related to capital assets and debt premium. See - Aggregation of Misstatements](#)
 - Significant difficulties or disagreements - [No significant difficulties or disagreement related to the financial audits of the entity.](#)
 - Reported amounts and disclosures audited in other work traced to the financial statements of the primary government. - [We agreed all reported amounts to the City's financial statements for the audit.](#)
 - Any potential fraud, noncompliance, abuse or other matters identified should be re-evaluated for the primary government. - [None identified within the audit.](#)
 - Any report modifications, significant deficiencies or material weaknesses to the extent they are material to the primary government. - [None identified within the audit.](#)

We will not make reference to other SAO audits in our audit report.

D.9.PRG - Capital & Infrastructure Assets

Procedure Step: Capital & Infrastructure Assets Summary

Prepared By: KH, 8/3/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done.:

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.9.PRG - Capital & Infrastructure Assets

City of Vancouver

Procedure Step: Existence/Classification - CIP
Prepared By: HB, 8/29/2022
Reviewed By: GTW, 8/30/2022

Record of Work Done:

Background:

We gained an understanding of the Capital Assets system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances/Assertions: FY 2021 Material balances & Analytical

Construction Work In Progress – Governmental Activities - \$18,946,250 ([Classification](#), [Existence](#))

Construction Work In Progress – Water/Sewer - \$39,464,237 ([Classification](#), [Existence](#))

Risk (what could go wrong):

There is a risk the City incurred costs related to capital assets which are substantially complete but are still being reported in CIP ([classification](#)).

There is a risk the City is including costs that they do not plan on capitalizing ([existence](#)).

Auditors Results/Procedures:

GL Tie Out

We tied out our balances here: [Agree to GL - CIP](#).

We noted in our GL tie out that the capital asset note (Note 4) reports fiduciary funds in the total construction in progress; however, the Statement of Net Position is leaving out the fiduciary fund balance of \$390,133 for governmental activities. For testing purposes, we are using the Statement of Net Position governmental activities balance.

We obtained the Business Type and Governmental Type Capital Asset Reports from Workday Software. For Governmental Funds CIP we judgmentally selected all CIP projects over \$300,000 (10 CIP Projects) and for Business Type Funds we selected all CIP projects over \$300,000 (12 CIP projects). 22 CIP projects total were tested.

Below is the breakdown of the amount we selected for testing.

City of Vancouver

Balance	Amt	Amt Tested	% Tested
Governmental	\$18,946,250	\$17,030,610	89.9%
Water/Sewer	\$39,464,237	\$36,669,441	92.9%
Total	\$58,410,487	\$53,700,051	91.9%

For each project, we tested both existence and classification. Existence testing was done through obtaining one of the latest invoices/progress billings from Workday software at fiscal year-end to determine that costs were being coded to projects properly and are capitalizable. Classification testing was done through obtaining an invoice from FY 2022 to determine if costs were still being incurred after year-end. We used this to evaluate whether the project was substantially complete, or if the project was not yet finished and needed to remain in CIP. Our testing is documented, here: [Govt. & Water Sewer - CIP Testing](#).

Because the City doesn't attach supplier invoices to the CIP asset until the project is finished, supplier invoices were found through utilizing the "COV-Account Inquiry" report, and specifying supplier invoices for the journal source. The project number was entered, as well as the appropriate fiscal year. Additionally, the GAAP book must be selected.

Upon inquiry with Shannon Turk, we discovered that PRJ100201 is used to purchase fleet vehicles that need to be capitalized. Shannon said that this project is being kept open as the City may continue to purchase vehicles. Vehicles are held in CIP when setup costs are being expensed to them, and once the vehicles are being used they are moved out of CIP. Essentially, this project is used to purchase and set up fleet vehicles, then transfer them out to be capitalized.

In our selection process of CIP, we noted that \$390,133 of governmental CIP was from fiduciary funds, and was also reported as construction in progress on the fiduciary statement of net position. This was made up of project codes PRJ100441 and PRJ100572, both in fund 656. This balance was incorrectly included on the fiduciary statement of net position, and incorrectly coded to construction in progress. After corresponding with Cyndi Turner, Accounting Manager, she verified that these were grant awards and will not result in any capital assets for the City, so they were coded incorrectly. **We did not pick up either project in our testing, as they were below our selection threshold.**

We noted an exception with PRJ083095 that is part of the Water/Sewer Construction in Progress balance with a cost of \$1,041,475.67. We confirmed with Shannon Turk, Senior Financial Analyst, that this project is complete and should have been moved out of CIP. The last invoice coded to this project was dated 2/13/2019 for \$521.36. The invoice charge was for "Mill Plain CTC Storm Water Retro," and was for a documentation administrator charge and mileage reimbursement. Because this invoice was dated in 2019, we are assuming that this project is complete and assets in service because no activity has occurred in this project since FY2019, and the City should have accrued 2 years of depreciation. The estimated useful life of the only asset associated with this project is 20 years, and we are calculating depreciation on a straight-line basis.

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$\$1,041,475.67 / 20 \text{ years} = \$52,073.78 \text{ per year} * 2 \text{ years} = \$104,147.57 \text{ accumulated depreciation as of year-end FY2021.}$

We noted two additional exceptions with both PRJ033096 and PRJ083626:

- PRJ033096 - The cost of this asset is \$2,017,112.16 and should have been moved out of CIP in July 2021. The entire value of this asset is immaterial and the depreciation error could not result in a material error. This project had many asset components with different useful lives and we were unable to calculate the depreciation expense error.
- PRJ083626 - The cost of this asset is \$15,170,643.29 and is split between two water treatment plants. Per discussion with the project manager the first plant was completed in mid-2020 and should have then been moved out of CIP, and the second plant was completed at fiscal year-end 2021. Due to the materiality threshold in the water/sewer fund, the life of the assets would have to be less than two years to have a material effect on depreciation expense. As the City had not yet assigned a useful life we were unable to calculate the depreciation error.

We have taken these errors to the aggregation of misstatements, here: [Aggregation of Misstatements \(GAAP\)](#)

Evaluating Note 4: Notes to the Financial Statements

During our review of the capital asset note, we noted large increases and decreases in CIP that we decided to follow-up on. Through reviewing the City's provided note support spreadsheets as well as looking through Workday, we found items that caught our attention.

In Fund 505 - Equipment Services Capital Fund, we noted transfers in and out of CIP that were coded to incorrect assets within the same project, PRJ100201. This resulted in inflating the increases and decreases in CIP by increasing CIP twice, then decreasing it once. We took this to the aggregation here related to inaccurate note disclosure. [Aggregation of Misstatements \(GAAP\)](#)

Additionally, we reviewed the following funds for errors, but noted nothing unusual. The majority of large journal entries were "to correct cash on GAAP for split funded," which was a reclassification. This involved reclassifications of over \$4,000,000 that would be included in the increases/decreases in CIP. Other journal entries in our review were to move assets in/out of CIP, and begin capitalization if necessary. **No other concerns noted.**

D.9.PRG - Capital & Infrastructure Assets

Procedure Step: Valuation/Occurrence- Cap Contr.

Prepared By: HB, 8/16/2022

Reviewed By: GTW, 8/25/2022

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Record of Work Done.

Background:

We gained our understanding of the material accounting systems during permanent file work at [Capital Contributions](#) and [Capital Assets](#). During our process for relying on prior year tested controls we did not identify any significant deficiencies therefore, we have set control risk at **LOW**.

Material Balances: FY 2021 Material balances & Analytical

Capital Contributions - Water/Sewer - \$21,427,223 ([Occurrence/Valuation](#))

Infrastructure - Govt. Activities - \$431,490,774 ([Existence/Rights and Obligations/Valuation](#))

Other Improvements - Water/Sewer - \$652,344,877 ([Existence/Rights and Obligations](#))

Risk:

There is a risk that the City is not correctly calculating the value of donated capital assets based on adequate supporting documentation ([Valuation](#)). There is a risk that the City did not have ownership of the assets at year-end ([Occurrence](#)).

There is a risk that the City did not have ownership of the assets at year-end or that the City is not correctly calculating the value of the assets based on adequate supporting documentation ([Existence, Rights and Obligations](#)).

GL Tie Out:

We tied our material balance to the GL within workday within a trivial amount. Our work is documented here: [Agree to GL - Infrastructure and Capital Contributions](#)

Audit Procedures & Results - Capital Contributions

We obtained the "FS Sampling" spreadsheet from the Teamstore, used moderate assurance with a tolerable rate of 5.3%, and stratified the population based on our balances. The testing is broken down into water/sewer, governmental, and land easements tabs in our testing spreadsheet, here: [FS Sampling- Capital Contributions](#)

Infrastructure

Per the City's financial statement notes for capital assets the increases to governmental infrastructure are \$11,155,457. This is made up of:

6,642,277 - Developer contributions

4,223,373 - City constructed assets.

289,806 - JE's - We did not select these for testing but did scan them and noted \$157,277 of this amount is for HVAC and ADA door openers. These are not correctly classified as infrastructure and would belong in another category. We noted this only impacts the notes table as the City combined infrastructure and other Improvements into a single "Infrastructure" line on the statement of net position. [Aggregation of Misstatements \(GAAP\)](#)

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Our risk was focused on developer assets contributed to the City. The total population for governmental capital contributions was 178 assets totaling \$6,642,277.06, reported within "176100 Gov Other Improvements." This amount comes from the trial balance from Workday, when filtering for only developer contributions. In our random sampling, we obtained a population size of 38 assets.

Additionally, see our valuation testing spreadsheet as part of our control testing, here: [Capital Contributions - Valuation](#)

Water/Sewer

Of the \$21,427,233 capital contributions in the water/sewer fund, made up of assets and easements, \$9,431,217 was related to new water/sewer assets and easements in 2021. The remainder of this balance was made up of cash contributions, confirmed through a Workday report. In our random sampling, we obtained a population size of 41 assets.

Governmental

We obtained Cost and Quantity lists for each asset in our sample from Cyndi Turner, Accounting Manager. Additionally, Cyndi sent us "asbuilt" documents that detailed how an asset was broken down (either local or arterial) if the reported amount was different than the Cost and Quantity list. This assisted in any variances we would have come across. Lastly, we reached out to Joshua Francis, who was an accountant in 2021 and is now in procurement with the City, to receive the rates for each asset type in 2021. In our substantive work, we tested whether the City owned the asset as of 12/31/21 and if the value placed on the asset was adequately supported by the provided documentation. As part of our control testing, we also determined whether the City had assigned its own standardized value for transportation assets, and if these values are determined using a reasonable basis. We received understanding and confirmation from Ryan Miles, Engineer Program Manager, that the City's assigned values are from the Clark County GIS system. We were able to recalculate all assets by using the applicable rate and the quantity/length of the asset. **We noted no concerns.**

Water/Sewer

We obtained Cost and Quantity lists for each asset in our sample from Cyndi Turner, Accounting Manager. In our substantive work, we tested whether the City owned the asset as of 12/31/21 and if the value placed on the asset was adequately supported by the provided documentation. Cost and Quantity sheets, as well as asbuilt documents, were used as support for each asset in determining if the City engineers measured and reviewed the asset length and rate. To determine if the City owned the asset as of 12/31/21, we reviewed final acceptance letters for each asset and ensured that the date provided was within our audit period. These documents are the official transfer of ownership point, noted in our control confirmation. As part of our control testing, we determined if the amounts in the InPlant system are valued based on support that the engineers received from developers. **We noted no concerns.**

Land and Easements (Part of water/sewer)

We obtained deeds and quantity support, along with building plans and blueprints, for each requested asset. With this information, we reached

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out to Joshua Francis regarding the estimated square footage values for land and easements. Through reviewing the deeds and other support provided to us by Cyndi for the calculations, we were able to recalculate each asset based on the square footage and the estimated square footage value of \$4 per sq ft, and noted no concerns. In our substantive work, we tested whether the City owned the asset as of 12/31/21 and if the value placed on the asset was adequately supported by the provided documentation. As part of our control testing, we also determined whether the estimated per square footage value multiplied by the total number of square feet equaled the estimated Acquired Value. **We noted no concerns.**

Auditor Procedures & Results - Infrastructure (City constructed)

Of our total infrastructure balance of \$431,490,774 for governmental activities, we are focusing solely on additions that are not capital contributions in our testing. We obtained a list of governmental activities other improvements, and filtered capital contributions out of the total. We are only focusing on additions in FY2021 to evaluate the increase in infrastructure. The balance for governmental additions at year-end is \$2,913,250.29.

For water/sewer additions testing, we focused on other improvements from the total balance of \$652,344,877 that had been added in 2021. The balance for additions in 2021 is \$12,476,789. We only focused on additions in 2021 to evaluate the increase in other improvements.

Governmental Govt - Infrastructure Additions Testing

In our infrastructure additions testing, we focused on invoice testing to determine if the purchases actually existed and if the assets were correctly valued. We judgmentally selected the top 11 assets associated with infrastructure additions to gain the most coverage. The debit balance for additions at year-end is \$4,223,373, and we selected \$3,624,952. This gave us 86% coverage. We tested 80% of the balance in invoices. We selected the debit balance as our beginning balance, as two material assets had been removed at year-end. We noted that these two assets in our governmental testing were incorrectly created in Workday. When the Accounting Manager, Cyndi Turner, reviewed the assets and determined they should have never been created, the City removed them and expensed the costs. We reviewed the breakdown of capital assets associated with Note 5, and determined that the City included these assets in their increases/decreases, but these were netted so the total amount from these assets correctly appeared as \$0. The assets are BA-2418 and BA-2419.

In our selection, we noted large manual journal entry amounts that did not have provided support. We reached out to Cyndi Turner for information regarding these journal entries/the conversion from Oracle to Workday. Regarding BA-2663, Cyndi provided support for JE-00005889 that totaled \$213,055.87. She could not find support for \$19,756.93 of this balance. Because of the lack of support, we do not know where this amount came from. This amount is below our floor of \$48,000 for governmental activities.

We also noted several items which were improperly classified as infrastructure within the notes table. As noted above the City combines Infrastructure and other improvements on the balance sheet so this only impacts the notes table presentation.

No other concerns noted.

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[Water/Sewer](#) [Water Sewer - Infrastructure Testing](#)

In our infrastructure additions testing, we focused on invoice testing to determine if the purchases actually existed and if the assets were correctly valued. We could not test invoices directly coded to assets due to the City's system of not allocating individual expenses in supplier invoices to specific assets within a single project. Because of this, we took the approach of judgmentally selecting the highest valued assets that gave us the most coverage, and then tested all assets in the project through invoice testing. The balance for additions is \$12,476,789, and we selected \$11,158,872. This gave us 89% coverage. We tested 79% of the balance in invoices. **We noted no concerns.**

D.9.PRG - Capital & Infrastructure Assets

Procedure Step: Existence/Classification - Machinery & Equipment

Prepared By: KH, 8/3/2022

Reviewed By: GTW, 8/9/2022

Record of Work Done:

Background

We gained an understanding of the [Capital Assets](#) system during planning procedures and assessed control risk at MAX. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances/Assertions

FY 2021 Material balances & Analytical

Machinery & Equipment - Governmental Activities: \$26,721,746 ([Classification](#), [Existence](#))

Machinery & Equipment - Water/Sewer: \$25,371,729 ([Classification](#), [Existence](#))

Machinery & Equipment - Agg Remaining: \$44,442,286 ([Classification](#), [Existence](#))

Risk

There is a risk the City moved assets to the depreciable category M&E that contain costs that should be expensed ([existence](#)). There is a risk the assets are being reported in the wrong category ([classification](#)).

Auditor's Procedures/Results

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We tied the material balance to the GL here: Agree to GL_Machinery & Equipment. **No concerns.**

We obtained spreadsheets from the City for both Governmental and Proprietary funds detailing all changes to the 181000 Machinery & Equipment accounts for the FY2021 by transaction. We tied them to the FY21 Trial Balances. We filtered the transactions to only include debits which represent increases in the Asset accounts and judgementally selected a few of the highest transactions from each fund of the Governmental Activities spreadsheet with acquisitions and all four of the transactions from the Proprietary spreadsheet. In total, our selection included 18 increases to M&E accounts and made up 82% of the total increase in M&E for FY21 per the Note 4 of the Financial Statements.

During our review of the spreadsheet provided by the City, we noted one transaction for a Ford F550 Truck that was fully depreciated and recorded as a disposal, then reinstated at full value and disposed of a second time. This overstated both increases and decreases to M&E by \$87,441 in Note 4 of the financial statements Notes to the Financial Statements.

We identified each asset within Workday and obtained supplier invoices for all acquisitions. Our testing is documented here: Machinery & Equipment Testing. We noted **no concerns within our testing**.

D.10.PRG - Current Liabilities

Procedure Step: Current Liabilities Summary

Prepared By: KH, 8/18/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done:

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

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D.10.PRG - Current Liabilities

Procedure Step: ARPA
Prepared By: KH, 8/18/2022
Reviewed By: GTW, 8/30/2022

Record of Work Done:

Background:

We gained an understanding of the <Grant Receivables and Unearned Revenues>FS Preparation system during planning procedures and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances: FY 2021 Material balances & Analytical

American Rescue Plan Act fund

- Unearned Revenue: \$15,450,899 (Completeness) (FS Preparation for this balance)
- Intergovernmental Revenue: \$1,117,035 (Occurrence)
- Transfers Out: \$1,117,035 (Rights and Obligations)

Risk (what could go wrong):

- There is a risk the City is not reporting full amount received from US Department of Treasury. Additionally there is a risk the city is not reducing it by the complete amount of expenditures occurred. (completeness).
- There is a risk that amounts reported are not supported by eligible expenditures incurred during the reporting period (occurrence).
- The city received new COVID funding which has specific compliance requirements on how it can be spent. The City transferred these funds to the general fund. There is a risk the city did not use the funds for an allowable purpose (rights and obligations).

Substantive Procedures:

We agreed our material balances to the GL within - Agree to GL - ARPA

At the end of the year, the Grant Manager determines which expenditures to charge to the award and creates a Journal Entry to recognize the portion of the funds that were expended within the year, and the amount that should be recognized as Unearned Revenue. We reviewed the Journal Entries for the SLFRF funds received and traced them through Workday to the year-end entries performed by LaVonne to recognize fund

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expenditures (JE-00018118) and Unearned Revenue (JE-00018047).

Intergovernmental Revenue & Transfers Out

We obtained a spreadsheet from the City listing all expenditures that the City paid with using ARPA funds and tied it to the revenue amount recognized and transferred out of the ARPA fund with JE-00018118. We reviewed the expenditures on the spreadsheet, made a selection for testing, and tested selected expenditures to determine whether they were eligible expenditures incurred during the reporting period within our audit of the SLFRF 21.027 award here: [A-B-H Activities Allowed/Allowable Costs/Period of Performance](#). We reviewed the testing strategy and noted that "recipients may only use funds to cover costs incurred during the period **beginning on March 3, 2021 and ending on December 31, 2024** per section 602(g)(1) of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 and Treasury's Interim Final Rule at 31 C.F.R. § 35.5(a)." Within our testing we noted five instances where the expenditure was incurred prior to the period of performance start date of March 3rd. During our review of the Covid Time Off coded to the grant, we noted that payments made prior to the March 3rd period of performance beginning were charged to the grant. We conducted a detailed review of 100% of the population and identified 83 transactions with a total of \$117,596, including the calculated benefits, charged to the grant prior to March 3rd. We have carried this error to the Agg: [Aggregation of Misstatements \(GAAP\)](#)

Unearned Revenue

As noted in the perm, the City received federal funding up front and recognized revenues when associated expenditures were incurred. We verified that the amount of revenue recognized for the audit period was supported by expenditures. We then recalculated the unearned revenues by taking the difference in funds received and revenues earned/expenditures incurred. We documented our substantive work here - [Unearned revenue - ARPA](#). We noted **the City's original calculation was accurate** however due to error identified above we determined that **unearned revenue is understated it by \$117,596**. See [Aggregation of Misstatements \(GAAP\)](#)

D.11.PR.G - Expenses/Expenditures

Procedure Step: Expenses/Expenditures Summary

Prepared By: KH, 8/19/2022

Reviewed By: GTW, 10/28/2022

Record of Work Done:

(1) Do the results of substantive tests indicate a need to modify our risk assessment (IR, CR and RMM)?

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No

(2) Was the quality and quantity of evidence obtained sufficient and appropriate?

Yes

D.11.PRG - Expenses/Expenditures

Procedure Step: Accounts Payable - Rights and Obligations

Prepared By: KH, 8/19/2022

Reviewed By: GTW, 10/28/2022

Record of Work Done:

Background

We gained an understanding of the AP Disbursements system and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances FY 2021 Material balances & Analytical

General Government - General Fund - \$7,511,900

General Government - Capital Improvement - \$2,503,971

General Government - Aggregate Remaining - \$1,056,723

Security/Persons & Property - General Fund - \$58,008,908

Security/Persons & Property - Consolidated Fire - \$49,052,896

Security/Persons & Property - Capital Improvement - \$971,410

Security/Persons & Property - Aggregate Remaining - \$165,896

Transportation - Street Fund - \$17,430,975

Transportation - Aggregate Remaining - \$2,084,362

Economic Environment - General Fund - \$15,142,011

Economic Environment - Aggregate Remaining - \$8,558,472

Culture and Recreation - General Fund - \$12,598,562

Culture and Recreation - Aggregate Remaining - \$616,163

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Social Services - General Fund - \$1,230,294
Capital Outlay - General Fund - \$335,643
Capital Outlay - Consolidated Fire - \$1,799,348
Capital Outlay - Street Fund - \$8,714,847
Capital Outlay - Capital Improvement - \$5,178,700
Capital Outlay - Aggregate Remaining - \$2,090,643
Personnel Services - Water/Sewer - \$17,834,091
Personnel Services - Parking Services - \$780,749
Personnel Services - Aggregate Remaining - \$20,017,797
Supplies and Contractual Services - Water/Sewer - \$19,387,385
Supplies and Contractual Services - Parking Services - \$825,886
Supplies and Contractual Services - Aggregate Remaining - \$45,058,875

Assertions:

General Government: [Rights and Obligations](#)
Security/Persons & Property: [Rights and Obligations](#)
Transportation: [Rights and Obligations](#)
Social Services: [Rights and Obligations](#)
Economic Environment: [Rights and Obligations](#)
Culture and Recreation: [Rights and Obligations](#)
Capital Outlay: [Rights and Obligations](#)
Personnel Services: [Rights and Obligations](#)
Supplies and Contractual Services: [Rights and Obligations](#)

Risk

The city noted increases in various expense categories during the year, additionally with the pandemic and other changes the city is paying for less common projects and activities. Additionally Capital outlay within the Capital Improvement Fund of the City is paying for the construction of Fire Station 11.

There is a risk the city is paying for expenses that are not for an allowable city purpose or are the obligation of another government/organization.

Auditor Procedures/Results

We tied the material balances to the GL here: [Exp. Tie to GL - AP Payroll](#). We used the 2021 Operating and GAAP Trial Balances as well as the Lead Sheet provided by the City. We noted several interfund eliminations within our spreadsheet. We followed up with Cyndi Turner, Accounting Manager who provided us with the account roll ups to support the interfund eliminations. We also noted that the City reclassifies General Fund

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Salaries and Wages out of account 510000 to record them by function on the Financial Statements. The City uses the General Fund cost center to determine the function code. Additionally, we noted a few off book entries which we followed up on in our review of Management Override of Controls here: [Management Override of Controls](#).

We judgementally selected 120 transactions from our interim and final AP Analytical ([Accounts Payable - Analytical](#) & [2021 AP Analytical - Final](#)) completed during the planning process for testing based on risks including new vendors, high payment amounts, significant increases since FY2020, and other indicators of increased risk. For our financial statement testing we scanned 100% of vendors and used auditor judgement reviewing for the highest payments and/or unusual payments, uncommon or high risk vendors and made our selection which we documented along with our testing here: [AP Testing](#). We noted **no concerns within our testing**.

Additionally we audited expenses related to the construction of Station 11. We documented our testing here, [Unearned Revenue/CFS Invoice Testing](#) we noted all expenses were for City assets related to the construction. **No concerns**.

D.11.PRG - Expenses/Expenditures

Procedure Step: Payroll - Rights and Obligations

Prepared By: KH, 8/19/2022

Reviewed By: GTW, 9/15/2022

Record of Work Done:

Background

We gained an understanding of the system [Payroll Disbursements](#) and assessed control risk at **MAX**. Therefore, we will not place reliance on controls. Our understanding of internal controls and control risk assessment will be used to help plan the nature, timing and extent of substantive testing. We noted no material weaknesses or significant deficiencies in internal controls.

Material Balances [FY 2021 Material balances & Analytical](#)

General Government - General Fund - \$7,511,900

General Government - Capital Improvement - \$2,503,971

General Government - Aggregate Remaining - \$1,056,723

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Security/Persons & Property - General Fund - \$58,008,908
Security/Persons & Property - Consolidated Fire - \$49,052,896
Security/Persons & Property - Capital Improvement - \$971,410
Security/Persons & Property - Aggregate Remaining - \$165,896
Transportation - Street Fund - \$17,430,975
Transportation - Aggregate Remaining - \$2,084,362
Economic Environment - General Fund - \$15,142,011
Economic Environment - Aggregate Remaining - \$8,558,472
Culture and Recreation - General Fund - \$12,598,562
Culture and Recreation - Aggregate Remaining - \$616,163
Social Services - General Fund - \$1,230,294
Capital Outlay - General Fund - \$335,643
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Personnel Services - Water/Sewer - \$17,834,091
Personnel Services - Parking Services - \$780,749
Personnel Services - Aggregate Remaining - \$20,017,797
Supplies and Contractual Services - Water/Sewer - \$19,387,385
Supplies and Contractual Services - Parking Services - \$825,886
Supplies and Contractual Services - Aggregate Remaining - \$45,058,875

Assertions:

General Government: [Rights and Obligations](#)
Security/Persons & Property: [Rights and Obligations](#)
Transportation: [Rights and Obligations](#)
Social Services: [Rights and Obligations](#)
Economic Environment: [Rights and Obligations](#)
Culture and Recreation: [Rights and Obligations](#)
Capital Outlay: [Rights and Obligations](#)
Personnel Services: [Rights and Obligations](#)
Supplies and Contractual Services: [Rights and Obligations](#)

Risk

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The city noted increases in various expense categories during the year, additionally with the pandemic and other changes in recent years the city is paying for new goods, services, projects and activities.

There is a risk the city is paying for expenses that are not for an allowable city purpose or are the obligation of another government/organization.

Additionally Capital outlay within the Capital Improvement Fund the City is paying for the construction of Fire Station 11.

There is a risk the city is paying for expenses that are not for an allowable city purpose or are the obligation of another government/organization.

Auditor Procedures/Results

We tied the material balances to the GL here: [Exp. Tie to GL - AP Payroll](#). We used the 2021 Operating and GAAP Trial Balances as well as the Lead Sheet provided by the City. We noted several interfund eliminations within our spreadsheet. We followed up with Cyndi Turner, Accounting Manager who provided us with the account roll ups to support the interfund eliminations. We also noted that the City reclassifies General Fund Salaries and Wages out of account 510000 to record them by function on the Financial Statements. The City uses the General Fund cost center to determine the function code. Additionally, we noted a few off book entries. Our review of the off book entries is documented here: [Management Override of Controls](#).

We scanned 100% of employees within our Payroll Analytical here: [\(Payroll Analytical& 2021 Payroll Analytical - Final\)](#) looking for unexpected or significant changes in employees' pay. Additionally, we performed analytical procedures on payroll by paycode looking for unexpected or significant changes in pay by paycode. We followed up on any changes that did not meet our expectations.

Within our analytical procedures, we identified 274 new employees in 2021. In 2020 we the City saw a decrease in employment due to the pandemic. This large increase is related to the City's slow return to full time work. However with the amount of new employees being processed, there is a risk fictitious employees were added as well. In addition to new employees, our analytical procedures identified a significant increase in overtime pay. There is a risk that employees receiving overtime are not eligible based on employee bargaining agreements or are paying out the incorrect rate/amount. We judgementally selected employees from Police, Fire and Public Works departments who accounted for the majority of the overtime

We judgementally selected the 10 new employees with the highest gross pay for 2021 as well as 6 new employees whose gross pay was a whole number. Additionally, we obtained a payroll report that identified employees with a lot of overtime pay and selected employees from the Police, Fire, and Public Works departments for testing. In total, we selected 31 employees for testing.

Fictitious Employee Testing

We used auditor judgement selecting new employees across various funds and departments, employees who received over \$100,000, and also selected new employees who received round/even amounts. We tested all of our selected employees to determine whether they were employed by the City to perform City related activities and their pay was an obligation of the City. For each selected employee, we obtained support that the

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employee was employed by the City. Our testing is documented in the 'Fictitious Employee Testing' tab of our testing spreadsheet here: [Payroll Testing](#). We noted **no concerns within our testing**.

Overtime Testing

We used auditor judgement to make our selection of overtime employees. We selected employees ensuring we looked at multiple funds and departments; as well as different position rankings within those departments - as bargaining agreements are different by department and position. We used our analytical procedures described above looking for large fluctuations and overall high amounts of overtime. We selected 18 employees and audited 1 pay period of high overtime per employee.

For our testing we obtained each employee's approved rate of pay, timesheet, and reviewed the applicable collective bargaining agreement for each employee to determine how overtime should be calculated for each employee. Some employees had pay components other than base salary that were used to calculate overtime - such as swing and graveyard shift differentials, specialty pay, premium pay, LTD, etc. We reviewed the collective bargaining agreements and determined that including these types of pay in the overtime calculation was correct. We obtained Workday reports from Jordan Sherman, Internal Auditor, that included the additional pay components for the employees and pay periods selected and recalculated the overtime rates for each employee. Our testing is documented in the 'Overtime Testing' tab of our testing spreadsheet here: [Payroll Testing](#). We noted **no concerns within our testing**.

E.1.PRG - ACFR Review

Procedure Step: ACFR Review
Prepared By: NAH, 8/4/2022
Reviewed By: GTW, 8/29/2022

Record of Work Done.

All work to support the financial statement opinion must be completed before issuing the ACFR Letter.

We performed the procedures described below to address the additional information included in the ACFR (introductory section, combining statements, statistical section and other optional sections). Combining statements and supplemental schedules in the financial section are considered Supplementary Information (SI) on which we express an opinion on the fair presentation of information in relation to the financial statements taken as a whole. The introductory, statistical and any additional sections are considered Other Information (OI) on which we provide

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no assurance.

LGS Review / GFOA Checklist

- We requested an LGS Review of the ACFR. We sent up the prior year GFOA comments to LGS along with the request and ACFR package. We documented the review and our follow up here, [LGS Review](#)

Combining Statements and Supplemental Schedules in the Financial Section (SI)

We verified that the City's comprehensive report includes a combining statement to support each column in the basic financial statements that aggregates data from more than one fund or discretely presented component unit. Thus, the following combining statements were applicable to the City:

- Nonmajor governmental funds
- Nonmajor enterprise funds
- Internal service funds

We noted the following were not applicable to the City

- ~~Private purpose trust funds~~
- ~~Pension (and other employee benefit) trust funds~~
- ~~Investment trust funds~~
- ~~Agency funds~~
- ~~Nonmajor discretely presented component units~~

We performed the following procedures for testing the combining statements and schedules - see link to [Financial Statements / 2021 ACFR \(All Auditor Comments\)](#) and [RSI](#) :

- We obtained an understanding of the preparation process for supplementary information, specifically:
 - Methods of preparing the information - [Fund information is tracked in the GL which is the basis for the information included. The City uses the TRS system to pull the data from the GL and prepare the statements and schedules.](#)
 - Whether methods have changed from the prior year and if so, the reasons for the change - [Methods have not changed from the prior year.](#)
 - Statements are required and defined by GASB. Therefore, our understanding about the purpose of supplementary information and criteria for preparing it cited in the Guidance/Criteria tab.
 - Based on GASB requirements for the statements and Audit Reporting Standards Manual requirements for our report, conditions required by AU-C 725.05 are determined to be met.
 - Any significant assumptions or interpretations underlying the measurement of this information.
- We traced figures to the underlying accounting and other records. Specifically, we performed the following:
 - [We footed and cross-footed the statements.](#)

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- We compared the combining schedules totals to fund statements to ensure the statements and schedules appropriately agreed.
- For the budget to actuals, we tied reported budgets to the City's public budget and ordinances. We tied the budget to actual "Actual Biennium" expenses to the reported expenses and transfers out on the combining statements. Our testing is here: [2021 Budget To Actual Reconciliation](#). We identified several errors which we took to the aggregation - [Aggregation of Misstatements \(GAAP\)](#)
 - We read the schedules for consistency with inquiry and knowledge obtained during the audit - [No exceptions noted](#).
 - We determined that the form and content complies with the criteria - [No exceptions noted](#).
 - We added the following additional representations to the management representation letter - see link to: [FS Letter of Representation](#)

We acknowledge our responsibility for presenting Annual Comprehensive Financial Report combining statements and supplemental schedules in accordance with generally accepted accounting principles in the United States. We believe that combining statements and supplemental schedules are fairly presented, including both form and content, in accordance with those principles.

We have disclosed to you all significant changes to the methods of measurement and presentation of combining statements and supplemental schedules, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the combining statements and supplemental schedules.

- We evaluated appropriateness and completeness of the information considering the results of the procedures performed and other knowledge obtained during the audit - [We noted errors which we documented in the attached PDFs in the excel workbooks linked above.](#)

Introductory, Statistical and Additional Sections (OI)

The Introductory and Statistical sections are required ACFR elements and we do not give an opinion on them. A government may also include additional sections at its discretion. Common examples of additional sections would be an Investment Section, Actuarial Section, or Single Audit Section.

See the Guidance/Criteria tab for a discussion of the auditor's responsibility regarding the introductory, statistical and additional sections. We performed the following procedures - see link to [Title Page, Table of Contents, and Introductory and Statistical Section](#):

- We read the sections and considered whether the information is materially inconsistent with the audited financial statements - [No exceptions noted](#)
- We will communicate with those charged with governance (1) the auditor's responsibility with respect to the information, (2) the nature of the procedures performed, and (3) the results as part of the exit conference.
- We did not identify material inconsistencies between this information and the audited financial statements.

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E.1.PRG - ACFR Review

Procedure Step: ACFR Letter
Prepared By: NAH, 12/21/2022
Reviewed By: GTW, 12/21/2022

Record of Work Done.*

To issue the ACFR letter we:

- Checked that all financial audit work was completed
- Submitted the ORCA-generated ACFR letter through the ARL report review process and resolved any comments
- Issued the ACFR letter by 12/23/2022
- Ensured the ACFR letter was available for publication in ARTS
- We have planned to communicate in a timely manner the audit results with the governing body.

F.1.PRG - LGS Review

Procedure Step: LGS Review
Prepared By: NAH, 9/29/2022
Reviewed By: GTW, 10/28/2022

Record of Work Done.*

We completed an LGS review request on the Team LGS Sharepoint page on 8/9/2022

Review comments are documented at [LGS_07vancouver21](#).

We reviewed all comments and followed up on misstatements. We communicated comments to the Client and took errors to the aggregation when applicable, [Aggregation of Misstatements \(GAAP\)](#)

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G.1.PRG - Concluding Single Audit Procedures

Procedure Step: Subsequent Events

Prepared By: NAH, 12/22/2022

Reviewed By: GTW, 12/23/2022

Record of Work Done:

In addition to general procedures performed during the course of the audit, we performed the following procedures to identify potential subsequent events affecting any component of the government or aspect of the single audit:

- Updated our review of minutes up to 11/21/2022 and agendas through 12/19/2022 as documented in [Meeting Minutes](#)
- Checked EIS and updated our review of Other Engagements & FAWF up to 12/22/2022 as documented in [FAWF Review](#)
- Inquired about any relevant investigations or reports issued during the subsequent period by internal auditors, other auditors, and grantors or pass-through agencies with Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor on 12/21/2022

We identified the following subsequent events

- Receipt of ARPA funding for \$33 million - *this is from 2021 meeting minutes and is the second half of the funding the City is receiving in 2022.*

The City is reporting several other subsequent events including; levy lift, purchase of a building, and new staff in key management positions. While in our evaluation they were not significant to the City we note no concerns with the City being transparent and disclosing them.

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: Prior Federal Findings

Prepared By: NAH, 9/30/2022

Reviewed By: GTW, 12/23/2022

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Record of Work Done:

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior financial or federal audit findings for follow-up

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Summary & Report

Prepared By: NAH, 12/21/2022

Reviewed By: GTW, 12/21/2022

Record of Work Done:

(1) Evaluation of Evidence Obtained

We determined that sufficient, appropriate evidence was obtained and documented in order to support our audit report. In making this determination, we:

- **Completion of work:** checked that all work was complete.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.
- **Changes:** there were no changes to the Schedule of Expenditures of Federal Awards that were made after planning the single audit.

(2) Single Audit Report

We analyzed accumulated issues in the LOR Summary LOR Summary. Based on our audit and consideration of results at both individual and aggregate levels, we determined reporting level of audit issues and determined the content of our audit report. A spreadsheet for each major program was completed, which summarizes the audit results:

- SLFRF Major Federal Program - Local teams
- CDBG Major Federal Program - Local teams

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- HOME Major Federal Program - Local teams

These results will be incorporated into our audit report.

(3) Report Preparation & Distribution:

Report preparation, technical report review, issuance, distribution, and the final official version of the report is documented in ORCA and the ARTS database.

Standard report distribution will include the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate. Report distribution will not be limited. The report will be published on our website and further distributed by email to any parties with applicable subscriptions.

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: Corrective Action Plans

Prepared By: NAH, 12/21/2022

Reviewed By: GTW, 12/21/2022

Record of Work Done.*

The audit reported two findings; one financial statement finding and one single audit finding.

for each audit finding we obtained a Corrective Action Plan (CAP). We created a template which was provided to the client, see - Template - Corrective Action Plan.

The CAP was completed by the city, see - Corrective Action Plan - 2021 - Final. We checked the CAP to ensure comments are not inconsistent or in conflict with the finding.

G.1.PRG - Concluding Single Audit Procedures

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Procedure Step: Review Finding Response

Prepared By: NAH, 12/21/2022

Reviewed By: GTW, 12/21/2022

Record of Work Done:

Obtaining the views of responsible officials:

We presented the draft finding to Cyndi Turner, Accounting Manager and Jordan Sherman, Internal Auditor on {insert date}.

We requested a response from Cyndi Turner, Accounting Manager on 10/26 as documented in Finding Corrective Action Plan City Response.

Evaluating the response:

The City stated to use the corrective action plan as their response which is documented in Corrective Action Plans. We reviewed it and noted:

- No new evidence was presented
- No information that was contradictory or inconsistent with facts presented in our finding
- No new perspectives were shared that would cause us to re-consider our description of the condition, cause, effect or recommendation

We developed the Auditor's Response section of our finding based on this evaluation.

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Letter of Representation

Prepared By: NAH, 12/23/2022

Reviewed By: GTW, 12/23/2022

Record of Work Done:

STEP 1: Rep Letter - GAAP

We selected the appropriate representation letter template from the Store and considered whether any additional representations were needed

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beyond the standard ones included in the template. We determined that **the following** additional representations were needed.

"We adequately considered the qualifications of Milliman, Inc and agree with conclusions regarding our other post-employment benefits liability, which are reflected in financial statement amounts and disclosures. We provided Milliman with accurate and complete information in response to requests and did not give or cause any instructions to be given to Milliman with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of Milliman."

"We acknowledge our responsibility for presenting Annual Comprehensive Financial Report combining statements and supplemental schedules in accordance with generally accepted accounting principles in the United States. We believe that combining statements and supplemental schedules are fairly presented, including both form and content, in accordance with those principles.

We have disclosed to you all significant changes to the methods of measurement and presentation of combining statements and supplemental schedules, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the combining statements and supplemental schedules."

STEP 2:

We requested management representations as detailed in . Along with the request, a final list of uncorrected misstatements was included as an attachment.

STEP 3:2021 COV Rep Letterp - signed

We obtained the representation letter and reviewed it to check that:

- All representations were properly made and consistent with expectations;
- It was dated the same as our report date; and
- It was signed by appropriate members of management.

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Exit Conference

Prepared By: NAH, 1/17/2023

Reviewed By: GTW, 1/30/2023

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Record of Work Done.:

Single audit results were communicated with management and those charged with governance at the financial statement exit conference – see FS Exit Conference for details.

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: Data Collection Form

Prepared By: NAH, 12/22/2022

Reviewed By: LRO, 1/13/2023

Record of Work Done.:

1. Date completed: 1/13/2023

12/22/2022

IDESReport_940296_1 (1)

G.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Quality Control Assurance Certification

Prepared By: NAH, 12/21/2022

Reviewed By: GTW, 12/21/2022

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Record of Work Done:

Quality Control Assurance Certification

The certification should be signed-off before the Single Audit report is issued.

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure that specific audit objectives were achieved (Audit Policy 3210).
10. The audit of federal programs was conducted using all applicable audit steps in TeamMate and Audit Policy 5000 series - Federal Audits.
11. Adequate communication with management and the governing body occurred prior to issuance of the report, including all information required to be discussed by Audit Policies 2120, 2210 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

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1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director of State and Local Audit or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director of State and Local Audit or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.
6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

G.2.PRG - FY20 Standard Program - Local Govts

Procedure Step: Overview and Compliance Requirements

Prepared By: TG, 6/27/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done:

We have gained an understanding of the program by reading the information described in the testing strategy and inquiry with the auditee.

Community Development Block Grants/Entitlement Grants - CFDA 14.218

This section provides (1) an overview of the grant program and (2) an identification of the applicable compliance requirements.

Overview

Award Name: Community Development Block Grants/Entitlement Grants

CFDA: 14.218

Federal Agency: Department of Housing and Urban Development

Audit Period: January 1, 2021 - December 31, 2021

Federal Award Amount:

City of Vancouver

Program Objectives:

The primary objective of the Community Development Block Grant (CDBG) Entitlement Program (metropolitan cities and urban counties) (24 CFR Part 570 Subpart D) is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low- and moderate-income (24 CFR sections 570.1, 570.200, 570.420, and 570.429).

Program/Funding breakdown

<u>CFDA #</u>	<u>Award Number</u>	<u>12/31/21</u>
14.218	B-16-MC-53-0013	30,637.54
14.218	B-17-MC-53-0013	103,710.91
14.218	B-18-MC-53-0013	60,026.23
14.218	B-19-MC-53-0013	257,226.87
14.218	B-20-MC-53-0013	742,284.07
14.218	B-20-MW-53-0013	485,803.98
14.218	B-21-MC-53-0013	339,976.34
		2,019,665.94

Determine Compliance Requirements

We used the 2021 Compliance Supplement as well as the 2021 Compliance Supplement addendum to identify compliance requirements that are applicable to the grant. We identified the direct and material compliance requirements here: [Major Federal Program - Local teams](#)

G.2.PRG - FY20 Standard Program - Local Govts

Procedure Step: A-B-H Activities Allowed/Allowable Cost/Period of Performance

Prepared By: TG, 8/30/2022

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Reviewed By:

GTW, 9/2/2022

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

AP Expenses	\$1,719,637	85.1%
Salaries and Wages	\$207,565	10.3%
Benefits	\$92,464	4.6%**
Total	\$2,019,666	

Agrees to SEFA

**Due to the amount of benefits only making up 4.6% of the grant we will pass on further review of the benefits amounts charged to the grant. As it is less than 10% it is quantitatively not material. The City also uses Workday software for payroll which will automatically calculate payroll benefit amounts and deduct them from employee's gross pay, leading us to believe the amount to be qualitatively not material.

Key Personnel

Grant Manager: Samantha Whitley

Financial Analyst: Andrew Westlund

Control Understanding

The City of Vancouver has been receiving CDBG entitlement funding directly from HUD since 2003. Samantha Whitley is the grant manager and is aware of the grant requirements. The City's CDBG Program ensures that grant funds are used for allowable activities and costs in the following manner:

Each October, a notice of funding availability and a request for applications is advertised based on estimated funding to be awarded in the upcoming program year. Samantha coordinates meetings with the City's Selection Committee and the agencies interested in participating in the

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CDBG program to discuss the funding available and how it can be used. The agencies interested in participating in the CDBG program are required to submit proposals outlining their plans to use the funding and how they qualify to participate. Pre-applications are required and staff review pre-apps to ensure eligibility and national objective compliance (benefit low-and moderate-income persons, aid in the prevention or elimination of slums and blight, or meet community development needs having a particular urgency). Once the committee reviews and approves the applicants' proposals, or project, it is included within the City's annual CDBG Action Plan. The Action Plan is reviewed and approved by City Council prior to HUD submission and is then sent to HUD for final approval. (Control 1)

After the start of the program year (July 1), the City will enter into contract agreements with the applicants who are considered to be subrecipients and are subject to monitoring. Prior to contracting, an agency risk assessment and environmental review are completed as needed. Program Coordinators are then tasked to set up the contract information in the Integrated Disbursement and Information System (IDIS) for billing and tracking purposes as required by HUD.

CDBG expenditures incurred by the subrecipients are first reviewed by Andrew Westlund, the Financial Analyst. Samantha will review invoices after Andrew and sign invoice for allowable activities under the project (control 2). Andrew and Samantha review requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant (control 3). Invoices and reimbursement requests are compared to the contract agreements to ensure that they are within the budget and that activities are allowable. For large purchases, Sam's staff would submit a request to draw funds from IDIS to pay the subrecipients within two business days. For all other smaller purchases, the invoices and supporting documents get forwarded to the City for processing through the City's established voucher system.

City employees charge payroll and benefits to the grant based on actual hours spent working on this grant by recording the time spent on their time sheets, which are reviewed by Sam. (Control 4). Time sheets are approved by Samantha Whitley. Sam's time sheets are approved by Patrick Quinton, Economic Development Director. Every time the City submits a draw down request through IDIS, Andrew reconciles the amount received with the amount requested. Andrew also reconciles the amount received to the invoices and timecards to ensure the amounts agree. At calendar year-end, LaVonne Steiner-Weigel, Grant Accountant for the city, reconciles expenditures and income for the CDBG program between IDIS and Workday records to complete federal SEFA reports. Monthly, and before program year end (June 30th) and before Workday closes for the year (January), Andrew and LaVonne download the total expenditures in Workday and compares them to all the amounts billed during the period to ensure that all expenditures were billed.

We noted that the City does not charge indirect costs to the grant.

For period of performance, the grant manager will review reimbursement request along with the attached expenditures to ensure costs charged to the grant occurred within the period of performance. (Control 5)

Key Controls Identified

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1. The Action Plan is reviewed and approved by City Council prior to HUD submission and is then sent to HUD for final approval
2. The grant manager will review invoices after the Financial Analyst and sign invoice for allowable activities under the project
3. The grant manager reviews requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant.
4. City employees charge payroll and benefits to the grant based on actual hours spent working on this grant by recording the time spent on their time sheets, which are reviewed by the Grant Manager.
5. For period of performance, the grant manager will review reimbursement request along with the attached expenditures to ensure costs charged to the grant occurred within the period of performance.

Evaluation of Results:

[Did you identify any control deficiencies? **No**

If so, **you must:**

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Activities Allowed & Cost Principles **LOW**

Period of Performance **LOW**

Internal Control Testing

1. The Action Plan is reviewed and approved by City Council prior to HUD submission and is then sent to HUD for final approval
We reviewed the 2021 action plan approved by the City Council on 4/23/2021 which outlines activity up to June 30, 2022; see Action Plan - Final IDIS version 4-23-21 The plan outlines how the City intends to allocate their annual entitlement which is based on the overarching 2019-2024 consolidated plan goals.

The control is in place and operating effectively.

2. The grant manager will review invoices after the Financial Analyst and sign invoice for allowable activities under the project
We completed testing over this along with the compliance testing as a dual purpose test. We noted all invoices reviewed were stamped "OK to Pay" as documentation of Samantha's review. Detailed testing can be seen within the tab "AP A-B Sample" here -SA Sampling

The control is in place and operating effectively.

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3. The grant manager reviews requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant.

We reviewed the IDIS draw downs from Jan 2021 through Jan 2022 during our SEFA Substantiation. [SEFA Substantiation](#) We noted tick marks from Samantha Whitley, Grant Manager, and a signature at the bottom of each draw down indicating her review. We also documented this testing during our testing of reporting: [Reporting Testing](#)

The control is in place and operating effectively.

4. City employees charge payroll and benefits to the grant based on actual hours spent working on this grant by recording the time spent on their time sheets, which are reviewed by the Grant Manager.

We tested this control concurrently with our substantive work below. Detailed testing can be seen within the tab "Payroll A-B Sample" here - [SA Sampling](#)

5. For period of performance, the grant manager will review reimbursement request along with the attached expenditures to ensure costs charged to the grant occurred within the period of performance.

We completed testing over this along with the compliance testing as a dual purpose test. We noted all invoices reviewed were stamped "OK to Pay" as documentation of Samantha's review. Detailed testing can be seen within the tab "small Pop. Comp Sample - AP and Payroll" here - [SA Sampling](#)

The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at:

Activities Allowed & Cost Principles **LOW**

Period of Performance **LOW**

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Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Activities Allowed & Cost Principles **LOW**

Period of Performance **LOW**

Compliance Testing

A. Direct Costs

Determine the method for how transactions are to be selected for testing. Options include, with details in the planning guide:

1. **Sampling - AP**
2. **Haphazard Selection - Payroll**
3. ~~Judgmental Selection~~
4. ~~Judgmental Population~~
5. ~~All quantitatively material transactions~~

We did random sampling over the AP expenditures, and then did a haphazard selection for payroll.

1. Selected Expenditures:

Test selected expenditures for compliance with the activities allowed and the Uniform Guidance cost principles using the A-B Expenditure Testing spreadsheet attached. All of the attributes are included on the spreadsheet. Use the cell comments for additional guidance on each requirement.

We completed A-B testing over AP and Payroll, see here - [A-B - Expenditure Testing](#) **No concerns.**

We used our SA Sampling spreadsheet to determine our sample sizes for both types of expenditures. See those details here : [SA Sampling](#)

For AP we tested 28 transactions by reviewing IDIS Drawdowns, IDIS reports, Workday Attachments, and support also provided by Samantha Whitley.

For Payroll we tested 27 payroll transactions we reviewed Workday Reports, Workday Timesheets, and Workday Pay Earnings. We are able to determine that the employees are charging time only spent on the CDBG grants, and all other time is charged elsewhere.

2. Applicable Credits:

Inquire with the grant or program coordinators, review financial reports or other activities to identify credit transactions (refunds, reimbursements, discounts, liquidated damages, etc.). Select some credits and determine if they reduced program costs for reimbursement (i.e. reduced a subsequent billing) or repaid the amount to the grantor since the credit must be passed along.

N/A - Per inquiry with Samantah Whitley, and our review of the CDBG transaction detail we noted no Applicable Credits during the audit period. Therefore no testing was completed.

3. Impact of unallowable costs

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The auditor *should* consider the impact errors would have for “directly associated costs.” Directly associated costs are incurred solely as a result of incurring another cost and would not have been incurred if the other cost had not happened.

N/A - No unallowable costs were identified and therefore no impact of errors.

B. Indirect Costs - We noted that the City does not charge indirect costs to the grant. Also, was confirmed by Sam Whitley.

C. Period of Performance

1. Awards with a performance period beginning during the audit period

There was one award with a period of performance date during our audit period, 7/1/21, the award is B-21-MC-53-0013. E completed our PoP testing alongside our AP and Payroll A-B testing see - A-B - Expenditure Testing No concerns noted.

2. Awards with performance period ending dates during the audit period:

N/A - We identified no awards with performance period ending dates during the audit period.

3. Adjustments and transfers:

If there are adjustments (e.g., year-end journal entries) that add expenses to the federal award, test adjustments and verify that these adjustments only added transactions that occurred during the period of performance.

N/A - Per inquiry with Samantah Whitley, and our review of the CDBG transaction detail we noted no adjustments or transfers that add expenses to the federal award during the audit period. Therefore no testing was completed.

Evaluation of Results:

[Did you identify any noncompliance? - No

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls

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G.2.PR.G - FY20 Standard Program - Local Govts

Procedure Step: F. Equipment/Real Property

Prepared By: TG, 8/18/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.*

Step 1: Read and Gather Information

***Reminder:** We test more than just the acquisition of equipment during the audit period. We should also test as applicable:
The inventory, maintenance, and safeguarding of equipment purchased under the program in the current period or in the past – inventory conducted during the audit period or the year before if not audited then.
Disposal of equipment purchased under the program in the current period or in the past – the disposal occurred during the audit period and had a current fair market value exceeding \$5,000.
Disposal of real property purchased under the program.

We inquired with Sam Whiley who informed us that the City doesn't use CDBG funds to purchase any equipment, and no new real property was purchased during the audit period. Majority of expenditures are related to the subrecipients or for admin expenses. We also scanned the expenditure detail related to the CDBG grants. We did not note any transactions that would be deemed equipment purchases. Since there is no equipment purchased with CDBG funding, there is no inventory, maintenance, and safeguarding procedures established related to this funding. Therefore equipment it is not applicable.

However, we have been informed that the City did sell their Nagivation Center which there was CDBG funded expenditures when the Real Property was purchased and included land improvements and structures. Since there was a disposition of real property we will focus our testing and understanding over real property only. Per the testing strategy, our objective is *"To determine whether the auditee followed the proper disposition requirements and compensated the federal awarding agency for its portion of any property sold or converted to non-federal use."*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

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In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

The Community Development Department follows the City's policies and fixed asset process as well. The Department used the same written procedures as the City to ensure property records are maintained, inventory is performed, equipment is safeguarded, adequately maintained, and use for program purposes (Key Control 1). The Department uses Microsoft Excel as their Records Management System (RMS) to track real property or improvements to property regardless of whether it is acquired with federal funds. The Navigation center has it's own spreadsheet and it is tracked by it's self. Specifically so CDBG Program income can be monitored to ensure it is being charged back to the program. This is done by Andrew Westlund, Financial Analyst who ensures it is being used, monitored, and accounted for on drawdowns. The overall sale is also being monitored with Target Solutions, which is used by the City, but doesn't detail the funding. Also, Samantha indicated that the real property, Navigation Center, was also purchased with HOME funding. The fiscal analyst is responsible in ensuring the revenue from the sale of real property is used as program income, the grant manager will ensure it being applied to the program by reviewing the IDIS drawdowns. (Key Control 2) Based on the documents we concluded the CDBG portion of the sale is \$600,000.

Key Controls Identified:

- 1) The Department has written procedures to ensure property records are maintained, inventory is performed, equipment is safeguarded, adequately maintained, and use for program purposes.
- 2) The Financial Analyst is responsible in ensuring the revenue from the sale of real property is used as program income, the grant manager will ensure it being appropriately applied to the program by reviewing the IDIS drawdowns in ensuring it is being used.

Evaluation of Results:

[Did you identify any control deficiencies? NO

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.]

-

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

- 1) The Department has written procedures to ensure property records are maintained, inventory is performed, equipment is safeguarded, adequately maintained, and use for program purposes.

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We obtained from Samantha Whitley, Grant Manager Department's Asset Management Policy page 6. (See [financial policies adopted](#)). We reviewed the policy and verified that it requires physical inventory counts, and items are based on current need. Further, we obtained from Samantha the spreadsheet tracking of program income from the Department's financial analyst for the navigation center.

We identified that the control is operating effectively.

2) The Financial Analyst is responsible in ensuring the revenue from the sale of real property is used as program income, the grant manager will ensure it being appropriately applied to the program by reviewing the IDIS drawdowns in ensuring it is being used.

We reviewed every drawdown alongside our reporting testing, see [Reporting Testing](#). We reviewed each drawdown and ensured that the grant manager was reviewing each request, and ensure program income was being appropriately applied. We used the obtained tracking spreadsheet for program income from the Department's financial analyst for the navigation center, and verified each drawdown noted, had the corresponding program income being applied.

We identified that the control is operating effectively

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.]

Final Control Risk Assessment

We assess final control risk at LOW.

Risk of Material Noncompliance

We assess the risk of material noncompliance at LOW.

Compliance Testing

A. EQUIPMENT - N/A

B. REAL PROPERTY

Disposals: Identify real property dispositions for the audit period and determine whether the property was acquired or improved with federal awards from the program you are auditing. For dispositions of real property acquired or improved under federal awards for the program you are auditing, perform procedures to verify that the non-federal entity followed the instructions of the federal awarding agency or pass-through entity,

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which normally require reimbursement to the federal awarding agency for the federal portion of net sales proceeds or fair market value at the time of disposition, as applicable.

-The City purchased the Navigation Center Building for \$4.3M in January 2018. We reviewed the Fidelity National Title Company Final Buyer's Statement detailing the purchase of the building from Beutler Exchange Group, LLC at the address of 2018 Grand Blvd. Vancouver, WA 9866. The total purchase was \$4,377,449

-Within that cost for the Navigation Center the City invested \$600,000 (13.95%) of CDBG monies into the purchase. The rest of the monies came from Fund 133 REET and from the General Fund.

-Before the sale, in March 2021, the Grant Manager (Peggy at the time) contacted the City's regional HUD representative on details of the sale of the building. We reviewed that email between the Grant Manager and the Hud rep. detailed were the requirements provided to the City:

- If a project does not meet the CDBG requirements within the first five years, the funding is paid back to the CDBG account.
- In the case of the Grand Blvd building since the City used the money to purchase and the project met a national objective for the first two years (approx.); the money paid back will meet the program income guidelines.
- The City will have to determine the proportional amount of CDBG funds that must be paid back based on the value of the building.
- The cleanest way to determine the proportional amount is to use the original sales price and the amount of CDBG funds used for the purchase; that proportion would be applied to the sale price resulting in the amount returned to the CDBG fund.

-The City then got the property appraised. We reviewed the appraisal report completed by Colliers International, and it was appraised at \$4,325,000. The report is dated as of 2/18/21.

-The building was sold to the Fort Vancouver Regional Library District (FVRL). Which we obtained the Purchase agreement between the City & FVRL signed on 12/10/2021. The building sold for \$3,725,000 which is the appraisal amounts minus the building repairs of \$600K for water main break, roof replacement and HVAC replacement. This was detailed in Section F of the purchase agreement.

-Detailing further the City calculated the CDBG portion of the sale based on the original investment percentage of 13.95%. Therefore the amount due to the CDBG account would be \$519,767.44 ($13.95\% \times \$3,725,000$ **due to excel there is some rounding difference the percentage actually being 13.953488...**). However the City decided to go ahead and put the original investment amount of \$600,000 back into the CDBG account (Fund 108). The remaining proceeds went back into REET and the GF.

-We then obtained JE-00015670 showing the entry made to move the \$600,000 from the sale into Fund 108, CED Grants Fund (CDBG), it was posted on 1/5/2022 with a back date of 12/30/2021. It is supported with the Seller Statement of the Navigation Center, and the City's spreadsheet of the calculation of amount due back to CDBG.

In conclusion the City has followed the instructions from HUD, and the CDBG portion was appropriately put back into the CDBG account and fund. The City has been using the proceeds as program income on the 2022 CDBG projects, since the proceeds were received at the end of the audit period. Specifically it has been used to help with the CDBG Community Center project. **No concerns Noted.**

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Evaluation of Results:

[Did you identify any noncompliance? **NO**

If so, ~~you must:~~

- ~~1. Determine and document the magnitude of the noncompliance on the program as a whole.~~
- ~~2. Document the reason for the noncompliance.~~
- ~~3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).~~
- ~~4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]~~

G.2.PR.G - FY20 Standard Program - Local Govts

Procedure Step: J. Program Income

Prepared By: TG, 8/4/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

We performed an inquiry of the loan process with Linda and Michael in Finance in order to gain an understanding of loan setup. Linda is responsible for setting up loan accounts and their billing cycle. Linda is notified of a new loan from CDBG and is given the Deed of Trust. Linda uses the Deed to input the customer information and specific loan information within Mortgage Office/Workday. This process also sets up the

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receivable to be billed on the set cycle. Loans are tracked by the individual, unique project and loan number. Subrecipient (nonprofit) payments are generally on an annual basis. For rehabilitation loans, repayment is not required until the homeowner sells the property, but some recipients make periodic payments at their own discretion. Program income is receipted through the City's front desk, recorded within Hansen and included in the daily interface with Workday.

Linda Clukey uses Workday and keeps annual statements that are mailed out to CDBG customers in their loan files.

Monthly drawdowns are made from HUD after all program income has been applied to ensure that funds are used for allowable program purposes. Integrated Disbursement and Information System (IDIS) receipts includes fund type, amount, and details of the loan payment.

Key Controls Identified:

(Control 1) Lindsa Clukey obtains the revenue reports from Workday for program income received by customer and their unique project number. She reviews the cash inquiry to confirm completeness.

(Control 2) Monthly funding draws are made after program income has been applied to program expenses.

Evaluation of Results:

[Did you identify any control deficiencies? **LOW**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

1. Linda Clukey obtains the revenue reports from Workday for program income received by customer and their unique project number. She reviews the cash inquiry to confirm completeness.

We tested this control concurrently with our substantive work below. For each reimbursement request, which included program income, we confirmed income amounts were supported by Workday revenue reports and were deducted from program expenses upon reimbursement request. We tested 100% of reimbursement requests with Program Income. Our work can be seen here - [Program Income Testing](#)

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The control is in place and operating effectively.

2. Monthly funding draws are made after program income has been applied to program expenses.

We tested this control concurrently with our substantive work below. We tested 100% of reimbursement requests with Program Income. We documented our work within internal control test #1. Our work can be seen here - [Program Income Testing](#)

The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

1. Revenue Sources:

Determine whether revenue collected was from allowable sources (if applicable). For example, some programs limit the ability to charge fees to certain populations or there may be limitations on fee amounts.

Not Applicable, per review of the funding approval/agreement (grant award) there were no restrictions on populations for which program income could be collected.

2. Revenue Tracking:

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Test whether program income revenue was properly identified (includes only and all allowable sources) and its use is tracked against the income earned in the entity's financial records.

We utilized workday to run reports for CDBG loan receivables and revenues in order to identify all revenue received in 2021. We were able to tie those to the applicable reimbursements requests based on submission date. We also received IDIS reports, specifically the PR05 report which identifies program income.

We tested a 100% of all reimbursement requests that had program income (37 total). For each reimbursement we confirmed program income revenue was properly identified and was tracked against each reimbursement request. Additionally, we confirmed that program income amounts were charged against the appropriate customer accounts. Per our review of funding approval/agreement (grant award) we did not identify restrictions on allowable sources. We documented our testing within -Program Income Testing . *No exceptions noted.*

3. Expenditures:

Select Program Income expenditures and determine whether they were allowable expenditures of the program and met the federal cost principles. (Use testing templates in the A/B Allowable Activities/Cost Principles strategy for the detail of requirements.)

Program Income expenditures were included in our A-B population. We noted that 5 out of the 22 sampled transactions were program income expenditures. We tested these to ensure they were allowable expenditure of the program with no concerns. Therefore we will rely on that testing and no further sampling will be done. See our work here: A-B - Expenditure Testing No concerns noted.

4. Method:

Determine whether the entity used their required default method, or one specified by the grantor, in the grant agreement, program manuals or other prior written approval.

Per compliance supplement, 24 CFR 570.504 outlines how program income is treated. Section 2(i) states, "program income in the form of repayments tom or interest earned on, a revolving fund as defined in 570.500(b) shall be substantially disbursed from the fund **before additional cash withdrawals are made.**" Through our testing above, we confirmed program income was only used to deduct against reimbursement requests. *No exceptions noted.*

Evaluation of Results:

[Did you identify any noncompliance? **No**

~~If so, you must:~~

- ~~1. Determine and document the magnitude of the noncompliance on the program as a whole.~~
- ~~2. Document the reason for the noncompliance.~~

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3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.}]

G.2.PR.G - FY20 Standard Program - Local Govts

Procedure Step: L. Reporting
Prepared By: TG, 8/12/2022
Reviewed By: GTW, 9/2/2022

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Financial Reporting:

Per compliance supplement -

- a. SF-270, Request for Advance or Reimbursement – **Not Applicable** **However IDIS reimbursement make up what is being reported on the financial reports therefore testing of reimbursements will be done.**
- b. SF-271, Outlay Report and Request for Reimbursement for Construction Programs – **Not Applicable**
- c. SF-425, Federal Financial Report – **Not Applicable** (cash status only)
- d. *Integrated Disbursement and Information System (IDIS) (OMB No. 2506-0077)* - Grantees may include reports generated by IDIS as part of their comprehensive annual performance and evaluation report (CAPER) that must be submitted for the CDBG Entitlement Program 90 days after the end of a grantee's program year. Auditors are only expected to test information extracted from IDIS in the following system-generated

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reports:

- (1) C04PR03 - Activity Summary Report - ***Included in the City's CAPER***
- (2) C04PR26 - CDBG Financial Summary - ***Included in the City's CAPER***
- (3) C04PR26 - CDBG-CV Financial Summary *CARES Only* - ***Included in the City's CAPER***
- (4) C04PR26 - CDBG Activity Summary by Selected Grant - N/A City does not use this to complete their CAPER, therefore nothing to test.
- (5) C04PR29 - CDBG-CV Cash on Hand Quarterly Report - N/A City does not use this to complete their CAPER, therefore nothing to test.

The Activity Summary is created from the activity set-up information entered into IDIS. IDIS program controls ensure that these reports are accurately compiled from transaction and project/activity information entered by the CDBG staff. Annual entitlement amounts for the projects are entered by HUD.

The Financial Summary is composed of calculated fields based on IDIS draw down and activity set-up information. At the end of the grant year, Bryan Monroe, Associate Planner prints out the final IDIS reports to prepare for the Consolidated Annual Performance and Evaluation Report (CAPER) which is then reviewed by Samantha Whitley, Grant Manager (control 1).

The City ensures that information is input into the IDIS system in an accurate and timely manner by having all projects set-up and budgeting inputs done by the program coordinators. Samantha then reviews the activity and project information for accuracy. IDIS individual transactions are also entered by the Program Coordinator and approved by Samantha in IDIS. Access to IDIS is designed to segregate duties between project set-up/file maintenance and individual reimbursement requests for transactions and the approver of those requests. All information is based on the IDIS drawdowns which report the expenditures and program income of the grant. Then this information is auto populated to create the other required financial reports.

Andrew and Samantha review requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant (control 2). Invoices and reimbursement requests are compared to the contract agreements to ensure that they are within the budget and that activities are allowable. For large purchases, Sam's staff would submit a request to draw funds from IDIS to pay the subrecipients within two business days. For all other smaller purchases, the invoices and supporting documents get forwarded to the City for processing through the City's established voucher system.

Performance Reporting (CAPER):

A grantee's CAPER, submitted through the IDIS e-Con Planning Suite, is due 90 days after the close of a jurisdiction's program year. The CAPER is made up using IDIS system reports At the end of the grant year, Bryan Monroe, Associate Planner prepares the City's Consolidated Annual Performance and Evaluation Report (CAPER) which is then reviewed by Samantha Whitley, Grant Manager (control 3).

Special Reporting - Not Applicable

Key Controls Identified:

- 1) Financial: The associate planner completes the CAPER report using IDIS reports which were supported and approved in each drawdown

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request, and is then reviewed by the Grant Manager.

2) Financial: The grant manager reviews requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant.

3) Performance: The CAPER is completed by an Associate Planner, and is then reviewed by the Grant Manager before submission.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, ~~you must:~~

~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~

~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at [LOW](#).

Internal Control Testing

1. (Financial) The associate planner completes the CAPER report using IDIS reports which were supported and approved in each drawdown request, and is then reviewed by the Grant Manager

[We reviewed the most current CAPER for FY 2021. We noted that the expenditures reported came from the IDIS Activity Summary Reports. Additionally, we reviewed all IDIS drawdowns and noted the Program Manager's signature on each drawdown indicating her review and approval. See our testing here: Reporting Testing](#)

[The control is in place and operating effectively.](#)

2. (Financial) The grant manager reviews requests for reimbursement with G/L reports, payroll registers, and copies of other supporting documentation to ensure that only allowable activities are charged to the grant.

[We reviewed 100% of the IDIS draw downs from FY21 during our SEFA Substantiation. We noted tick marks from Samantha Whitley, Grant Manager, and a signature at the bottom of each draw down indicating her review. We also completed this testing here: Reporting Testing](#)

[The control is in place and operating effectively.](#)

3. (Performance) The CAPER is completed by an Associate Planner, and is then reviewed by the Grant Manager before submission.

[We reviewed the FY21 CAPER. We could see the signature of Bryan Monroe, indicating his review. We also noted tick marks from Samantha Whitley, Grant Manager, and a signature at the bottom of the report indicating her review. We also completed this testing here: Reporting Testing](#)

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The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies? **No**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

FINANCIAL REPORTS Reporting Testing

1. Support:

Trace the amounts reported to the auditee's accounting records or other appropriate supporting documentation.

The Activity Report (PR03) & Financial Report (PR26) are based on information from the IDIS system, which is driven by the IDIS draw downs. Both the IDIS activity and financial reports detail expenditures, program income and project progress (based on funds spent and left to spend).

We tested 100% of reimbursement requests during FY21. We are performing this as a dual purpose test (see control test #2 above). We tied out all selected reimbursement requests to their supporting documentation within IDIS draw downs and payroll expenditure reports. We also confirmed each IDIS draw down was reviewed and approved by the Program Manager. Our work can be seen within the "Financial " tab here: Reporting Testing

2. Accuracy:

Test mathematical accuracy of reports and supporting worksheets.

We tested this concurrently with compliance testing #1. For each draw down selected we confirmed expenditures submitted for reimbursement are mathematically accurate based on supporting invoices. *No exceptions noted.*

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3. Completeness:

Test the selected reports for completeness. Review accounting records and ascertain if all applicable accounts, activity, netting items were included in the selected reports (e.g., program income, applicable credits, loans, interest earned on Federal funds, and reserve funds).

We tested this concurrently with compliance testing #1. For each draw down selected we confirmed expenditures submitted for reimbursement take into account all activity. We noted program income was often applicable and appropriately deducted. *No exceptions noted.*

PERFORMANCE & SPECIAL REPORTS Reporting Testing

1. Support:

Trace the data reported to the grantee's records and supporting documentation.

We obtained the most recent CAPER report for FY2021. We obtained the City IDIS supporting tracking spreadsheet, IDIS drawdowns, and IDIS reports previously mentioned above. We then performed our testing within our financial reporting testing. Our work can be seen within the "Performance report" tab here: Reporting Testing . *No exceptions noted.*

2. Accuracy:

Test mathematical accuracy of reports and supporting worksheets.

We tested the mathematical accuracy of the report within compliance testing #1. *No exceptions noted.*

3. Prescribed Format:

Verify that the data was accumulated and summarized in accordance with the granting agency's criteria or using their required templates.

The City used the HUD online filing process. We observed screenshot provided by Sam Whitley we could see the online prompts and HUD filing instructions, then saw the data was entered into the system. *No exceptions noted.*

4. Completeness:

Test the selected reports for completeness. Review supporting records and ascertain if all applicable data elements were included in the tested reports.

We obtained each reimbursement request and ensured the totals agreed to the reports and the reports agreed in the CAPER.

Evaluation of Results:

[Did you identify any noncompliance? **No**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.

2. Document the reason for the noncompliance.

3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).

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~~4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]~~

G.2.PRG - FY20 Standard Program - Local Govts

Procedure Step: N. Special Tests and Provisions - Citizen Participation

Prepared By: TG, 6/27/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

The new program cycle starts in September with a public notice calling for applications. The City conducts public workshops to discuss the program's technical requirements and how to apply for grant funds. Public notices are posted in the local newspaper announcing the meetings to the general public. If the meeting is being held in an area where local citizens are expected to speak a language other than English, an interpreter is supplied by the City. Over the winter, applications are reviewed by Samantha Whitley, program staff, the Grant Review Committee, and the City Council. In late winter and early spring, a public hearing for the Action Plan is held in Council meetings. The process of obtaining public input includes open public forums advertised through the Public Notices section of the local newspaper, and targeted outreach through newsletters and communication with Neighborhood Associations and non-profit social service agencies in the community.

To ensure the City meets the Citizens Participation requirements, CDBG staff members coordinate and plan public hearings and forums, place advertisements in local papers and subscribe to these papers, reviewing them to monitor all ads. Staff members are also available to the public for comments and to provide access to records (control 1).

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Key control identified:

(Control 1) CDBG staff members coordinate and plan public hearings and forums, place advertisements in local papers and subscribe to these papers, reviewing them to monitor all ads. Staff members are also available to the public for comments and to provide access to records.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

~~If so, you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

1) CDBG staff members coordinate and plan public hearings and forums, place advertisements in local papers and subscribe to these papers, reviewing them to monitor all ads. Staff members are also available to the public for comments and to provide access to records.

We reviewed the most current action plan for 2021 (July 1, 2021 through June 30, 2022) and noted that the Action Plan included the Citizen Participation requirement and information about how the Public Hearing was advertised and held. We noted that information regarding the Action Plan and Citizen Participation is posted on the City's website for public viewing. Control is deemed effective for the audit period.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

~~If so, you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

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Compliance Testing

1. Verify that the grantee has a citizen participation plan.

We obtained the City's citizen participation plan, see - Citizen Plan FINAL. We noted the plan to be part of the City's 5 year Consolidated Plan that is effective 2021 through 2025.

2. Review the plan to verify that it provides for public hearings, publication, public comment, access to records, and consideration of comments.

We reviewed the plan and confirmed all required elements were included. Additionally, within the Action Plan we noted the affidavit's of publications as support for public hearings and all public comments were included within the plan.

3. Verify that the grantee has identified what constitutes a substantial amendment to its citizen participation plan, and a change in the use of CDBG funds from one activity to another is among the criteria for a substantial amendment.

Within page 7 of the citizen plan, #12 states criteria and procedures for substantial amendments to action/consolidated plan. Additionally, within the section the City defines what a substantial amendment is.

4. Examine the grantee's records for evidence that the elements of the citizen's participation plan were followed as the grantee certified.

The elements of the plan were as followed:

- In October 2020 the City issued a Notice of Funding Availability advertisement to community partners and local agencies. The announcement was published on the City website.
- A workshop was held at City Hall on October 23, 2020 for interested applicants.
- Pre-applications were available by October 16, 2020 and final applications were received by December 2, 2020.
- Jan 26, 28, & 29, 2021 applicants presented proposals to a volunteer grant review committee comprised of community representatives and City staff. The review committee reviewed, scored, and provided prioritized recommendations of proposals for City Council consideration.
- City staff held an open public workshop with the Vancouver City Council on 3/1/2021 to introduce proposals for the 2021 Action Plan.
- City Council held a first reading (introduction) of the 2021 Action Plan resolution March 2021.
- The final resolution adoption public hearing was held on April 05, 2021. We confirmed the public hearing notice and list of funding categories were published in The Columbian newspaper and posted on the City of Vancouver website.
- Draft copies of the plan were posted at the public housing authority, public libraries, City Hall, service providers, and e-mailed to interested parties.

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We noted general public, representatives of City and County agencies, and representatives of non-profit organizations were included in the process as defined within the citizen plan.

Evaluation of Results:

[Did you identify any noncompliance? **NO**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]

G.2.PRG - FY20 Standard Program - Local Govts

Procedure Step: N. Special Tests and Provisions - Required Certifications and HUD Approvals

Prepared By: TG, 7/8/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

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Samantha Whitley coordinates meetings with the City's Selection Committee and the agencies interested in participating in the CDBG program to discuss the funding available and how it can be used. The agencies interested in participating in the CDBG program are required to submit proposals outlining their plans to use the funding and how they qualify to participate. Samantha and staff determine the applicants' eligibility and to ensure they meet one of the three national objectives (benefit low-and moderate-income persons, aid in the prevention or elimination of slums and blight, or meet community development needs having a particular urgency). Once the committee reviews and approves the applicants' proposals, or project, it is included within the City's annual CDBG Action Plan. The Action Plan for the CDBG funds, which contains the budget, goes to the City Council for approval before it is submitted to HUD for final approval. The City's CDBG Action Plan is then sent to HUD for final approval along with a grant application to apply for funding.

Once HUD has approved the City's Consolidated Plan and the annual Action Plan, the City receives a letter from HUD to show the funding available for the programs listed in the Action Plan. Only after the City receives HUD's approval of the CDBG Action Plan does the City contract with subrecipients (control 1). If the City Council approves the recommended projects, the City will enter into contract agreements with the applicants who are considered to be subrecipients and are subject to monitoring. Program Coordinators are then tasked to set up the contract information in the Integrated Disbursement and Information System (IDIS) for billing and tracking purposes as required by HUD.

Key control identified:

(Control 1) To ensure funds are not obligated or expended, the City does not publicize funding available and application process until after the City's has received HUD's approval of the CDBG Action Plan.

Evaluation of Results:

[Did you identify any control deficiencies? No

~~If so, you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

1) To ensure funds are not obligated or expended, the City does not publicize funding available and application process until after the City's has received HUD's approval of the CDBG Action Plan.

We tested this control concurrently with our substantive work below.

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The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies?

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.]

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

Determine whether the grantee is obligating and expending program funds only after HUD's approval of the RROF by:

- a. Examine HUD's approval of the RROF and environmental certification and note dates.
- b. Review the expenditure and related records to ascertain when CDBG funds and local funds which were repaid with CDBG funds, were first obligated or expended and ascertain if any funds were obligated or expended prior to HUD's approval of the RROF

Using the SA sampling spreadsheet (see tabs "Special Test Environ. Reviews" & "Special Test - Rehab" here -[SA Sampling](#) we used our sample from environmental review testing as it has the same population) we determined our selection by sampling based on number of projects during the year. We used the 10% tolerable rate and set our assurance to HIGH, as we performed a dual purpose test (see control test #1 above). We randomly selected 12 projects and included our sample of 6 rehab projects for testing. For each project we confirmed the contract award date, environmental review was performed, and expenditures occurred were only after HUD's approval of the RROF. We documented our compliance testing here -[Required Certs and HUD approval Testing](#) . *No exception noted.*

Evaluation of Results:

[Did you identify any noncompliance? **NO**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).

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4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]

G.2.PRG - FY20 Standard Program - Local Govts

Procedure Step: N. Special Tests and Provisions - Environmental Reviews

Prepared By: TG, 7/8/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

Environmental review is required for each project. Prior to the start of a construction project or assisting an individual on a home improvement, [the City ensures that there is evidence that an environmental review has been done. Samantha Whitley ensures that these documents are a part of the supporting documents prior to reimbursing the subrecipients.](#) The contract language also requires the subrecipients comply with applicable codes and regulations related to housing safety, quality, and habitability prior to selling or renting such properties.

Key control identified:

(Control 1) Environmental Reviews: Projects are reviewed by Grant Manager to ensure that an environmental review was done.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, ~~you must:~~

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- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

1) Environmental Reviews: Projects are reviewed by Grant Manager to ensure that an environmental review was done.

We tested this control concurrently with our compliance work below. For each project selected we noted a determination was within each file and was signed by CDBG Certifying Officer, Sam Whitley.

The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, **you must:**

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

Determine whether environmental reviews are being conducted, when required by:

1. Verify through a review of environmental review certifications that the environmental review were made.
2. Select a sample of projects where an environmental review was not performed and ascertain if a written determination was made that the review was not required.
3. Test whether documentation exists that any determination not to make an environmental review was made consistent with the criteria contained in 24 CFR sections 58.34 and 58.35(b).

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Using the SA sampling spreadsheet (see tab "Special Test - Envrion. Reviews" here -[SA Sampling](#)) we determined our selection by sampling based on all projects that had federal expenditures. We used the 10% tolerable rate and set our assurance to HIGH, as we performed a dual purpose test (see control test #1 above). We randomly selected 18 projects (Included the 6 projects from our Special Test - Rehab. sample). We documented our compliance testing for all 18 projects here -[Environmental Review Testing](#) .

Evaluation of Results:

[Did you identify any noncompliance? NO

~~If so, you must:~~

- ~~1. Determine and document the magnitude of the noncompliance on the program as a whole.~~
- ~~2. Document the reason for the noncompliance.~~
- ~~3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).~~
- ~~4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]~~

G.2.PR.G - FY20 Standard Program - Local Govts

Procedure Step: N. Special Tests and Provisions - Rehabilitation

Prepared By: TG, 7/7/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at [LOW](#).

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for

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additional documentation of our overall COSO evaluation.

The City's grant manager is knowledgeable of grant requirements and the required monitoring of rehabilitation projects. Before awarding a contract, the Housing Rehabilitation Specialist meets with the homeowner and develops a scope of work to determine what rehabilitation work is needed. Once entered into an agreement, the City performs on site monitoring to ensure that the required permitting has been obtained, work is progressing or completed as required. The City utilizes a construction coordinator checklist list to monitor inspections, scope of work, bidding process, and loan recording. The check list is reviewed and approved by the Housing Rehab Specialist and support is maintained within each subrecipient project file along with support for request for reimbursement.

Key control identified:

(Control 1) The City performs on site monitoring and utilizes a construction coordinator checklist to ensure rehabilitation work is properly completed.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

1. The City performs on site monitoring and utilizes a construction coordinator checklist to ensure rehabilitation work is properly completed.

We tested this control concurrently with our compliance work below. For each project we confirmed on site monitoring was performed before, during, and after the completion of work. We also confirmed the construction coordinator checklist was used and all items were marked completed.

The control is in place and operating effectively.

Evaluation of Results:

[Did you identify any control deficiencies? **NO**

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~~If so, **you must:**~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.]~~

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

Determine whether the grantee assures rehabilitation work is properly completed by:

1. Verify that pre-rehabilitation inspections are conducted describing the deficiencies to be corrected.
2. Ascertain that the deficiencies to be corrected are incorporated into the rehabilitation contract.
3. For NSP projects, review rehabilitation standards. [N/A - The City did not have any Neighborhood Stabilization Programs active during FY 2021.](#)
4. Verify through a review of documentation that the grantee inspects the rehabilitation work upon completion to assure that it is carried out in accordance with contract specifications, and that NSP projects were carried out in accordance with rehabilitations standards.

[Using the SA sampling spreadsheet \(see tab "Special Test-Rehab" here - SA Sampling\) we determined our selection by sampling based on number of reimbursements during the year. We used the 10% tolerable rate and set our assurance to HIGH, as we performed a dual purpose test \(see control test #1 above\). We randomly selected 6 projects for testing. We documented our compliance testing for all 6 projects here - \[Rehab. Special Testing\]\(#\) **No Concerns Noted**](#)

Evaluation of Results:

[Did you identify any noncompliance? **No**

~~If so, **you must:**~~

- ~~1. Determine and document the magnitude of the noncompliance on the program as a whole.~~
- ~~2. Document the reason for the noncompliance.~~
- ~~3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).~~
- ~~4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]~~

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G.2.PR.G - FY20 Standard Program - Local Govts

Procedure Step: REQUIRED - Program Summary

Prepared By: TG, 8/18/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done.:

We summarized the results of the major program audit: [[Major Federal Program - Local teams](#)]

G.3.PR.G - FY21 Coronavirus State and Local Fiscal Recovery Fund - 21.027

Procedure Step: Overview and Compliance Requirements

Prepared By: KH, 6/15/2022

Reviewed By: GTW, 9/1/2022

Record of Work Done.:

We have gained an understanding of the program by reading the information described in the testing strategy and inquiry with the auditee.

Coronavirus State and Local Fiscal Recovery Funds - CFDA 21.027

This section provides (1) an overview of the grant program and (2) an identification of the applicable compliance requirements.

Overview

Award Name: Coronavirus State and Local Fiscal Recovery Funds

CFDA: 21.027

City of Vancouver

Federal Agency: Department of the Treasury
Audit Period: January 1, 2021 - December 31, 2021
Federal Award Amount: \$33,135,869

The SLFRF funds were disbursed in two equal payments over two years. The City received \$16,567,935 in FY21 and the same amount again in FY22.

SLFRF funds were received by entities up front and expenditures were coded to the grant revenue as they were incurred.

Program Objectives:

The purpose of the Coronavirus State and Local Fiscal Recovery Funds is to provide direct payments to States, U.S. Territories, Tribal governments, Metropolitan cities, Counties, and (through States) Nonentitlement units of local government (collectively the "eligible entities"), to:

1. Respond to the public health emergency, COVID-19 or its negative economic impacts, including providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of eligible employers that have eligible workers who are performing essential work, or by providing grants to eligible entities who perform essential work;
3. Provide government services, to the extent COVID-19 caused a reduction in revenues collected in the most recent full fiscal year of the State, Territory, Tribal government, Metropolitan city, County, or Non-entitlement units of local government; or
4. Make necessary investments in water, sewer, or broadband infrastructure.

Audit History

This is a new award, this grant has never been audited.

Award Expenditures

The City incurred \$1,117,035.46 in grant expenditures during 2021 as detailed in the table below. (The City classified all expenses within Category 1a, Support public health expenditures)

Expenditure Type	Amount	% of Total
Covid Time Off (payroll)	450,761.11	40%
Covid Services (AP)	656,427.06	59%
VPD Salaries/Benefits	9,104.34	1%
Covid Supplies	742.95	0%
<i>Total:</i>	1,117,035.46	

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Determine Compliance Requirements

We used the 2021 Compliance Supplement as well as the 2021 Compliance Supplement addendum and 21.027 Treasury SLFRF Technical Update to identify compliance requirements that are applicable to the grant. We identified the direct and material compliance requirements here: Major Federal Program - Local teams

We identified the following unique compliance requirements for SLFRF over our applicable areas

Activities Allowed/Allowable Costs:

Recipients may use payments from the Fund to (four eligible use categories):

1. Directly Covid Related:

a. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;

b. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;

2. **Replace lost public sector revenue** to provide government services; recipients may use this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic.

3. **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and

4. **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Procurement:

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in section 603(c) of the Act and Treasury's Interim Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. All non-federal entities other than States under the program, including subrecipients of a State, must follow the procurement standards in 2 CFR §§ 200.318 through 200.327, including ensuring that the procurement method used for the contracts are appropriate based on the dollar amount and conditions specified in 2 CFR § 200.320.

Reporting:

City of Vancouver is categorized as a metropolitan city with more than \$10 million in total SLFRF funds allocated per the Allocation for Metropolitan Cities by State link in the Testing Strategy. Therefore, during our audit period, the only report that was due during the FY21 audit period is the Interim report.

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G.3.PRG - FY21 Coronavirus State and Local Fiscal Recovery Fund - 21.027

Procedure Step: A-B-H Activities Allowed/Allowable Costs/Period of Performance

Prepared By: KH, 8/2/2022

Reviewed By: LRO, 9/15/2022

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **High**. Assessed as HIGH because this program was not audited within the last 2 audits, in addition to the grant being identified as a high risk designation due to it being COVID related funding.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control. See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Internal Auditor: Jordan Sherman

Accountant: LaVonne Steiner-Weigel

Chief Financial Officer (CFO): Natasha Ramras

Control Understanding

Accounts Payable

a) Activities Allowed or Unallowed & Allowable Costs/Cost Principles

The City Council reviewed the Final Rule and determined which projects to cover with SLFRF funds. They determined that the funds would be spent on category 1a - support public health expenditures. Council then approved which projects to allocate SLFRF funds to.

During the preparation of the year end financial statements, the Accountant and Internal Auditor review AP transactions for allowability via the supplier invoice within Workday to determine which expenditures to charge to the award (Control 1). The Accountant then creates a spreadsheet that includes only expenditures that they have determined to be allowable to charge to the grant. The City did not charge any

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indirect costs to the grant.

b) Period of Performance

The period of performance for SLFRF funds for our 2021 audit per the Compliance Guidance is March 3rd - December 31st, 2021. During the City's review process, the Accountant uses the spreadsheet of allowable activities to identify and filter out any transactions prior to March 3rd to ensure they are only including expenditures recorded within the period of performance (Control 2).

Payroll

a) Activities Allowed or Unallowed & Allowable Costs/Cost Principles

The City created 3 new time codes in Workday at the beginning of 2020 to record employee sick leave due to Covid exposure or illness and those expenditures were coded to those timecodes as they were incurred to ensure all costs approved by the Council were properly identified (Control 3). The employee Covid sick leave codes were applicable to all City employees who used sick leave due to Covid Temporary COVID-19 Related Leave and Wage Continuation Policy - Updated 2.1.2021. Per the City's policy, employees that use the Covid Time Off timecodes must submit the appropriate Covid leave request form and have it approved by their supervisor to ensure all time charged to those timecodes are for allowable activities (Control 4).

The City also included the benefits accrued during the time coded to Covid time off in the total amount charged to the award. Benefit percentages vary by worker group - some include only Medicare (1.45%) and some include both Medicare and FICA (7.65%). The Accountant uses a pivot table within their spreadsheet of Covid Time Off expenditures charged to the award to sort the expenditures by worker group. They then use the applicable benefit rate to calculate the benefits associated with the Covid Time Off expenditures (Control 5).

b) Period of Performance

Employees code their time used for Covid Time Off to the applicable Covid leave timecode on their timesheet. Workday tracks the timecodes each employee charges time to when they certify and submit their timesheets at the end of each pay period. The Accountant pulls all expenditures charged to the Covid leave timecodes into their SLFRF grant expenditure spreadsheet and filters out any pay periods prior to March 3rd to ensure all expenditures charged to the grant fall within the period of performance (Control 6).

Key Controls Identified

1. During the preparation of the year end financial statements, the Accountant and Internal Auditor review AP transactions for allowability via the supplier invoice within Workday to determine which expenditures to charge to the award. (AP - Activities Allowed/Allowable Costs)
2. During the City's review process, the Accountant uses the spreadsheet of allowable activities to identify and filter out any transactions prior to March 3rd to ensure they are only including expenditures recorded within the period of performance. (AP - Period of Performance)

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3. The City created 3 new time codes in Workday at the beginning of 2020 to record employee sick leave due to Covid exposure or illness and those expenditures were coded to those timecodes as they were incurred to ensure all costs approved by the Council were properly identified. (Payroll - Activities Allowed/Allowable Costs)
4. Per the City's policy, employees that use the Covid Time Off timecodes must submit the appropriate Covid leave request form and have it approved by their supervisor to ensure all time charged to those timecodes are for allowable activities. (Payroll - Activities Allowed/Allowable Costs)
5. The City uses the applicable benefit rate to calculate the benefits associated with the Covid Time Off expenditures. (Payroll - Activities Allowed/Allowable Costs)
6. The Accountant pulls all expenditures charged to the Covid leave timecodes into their SLFRF grant expenditure spreadsheet and filters out any pay periods prior to March 3rd to ensure all expenditures charged to the grant fall within the period of performance. (Payroll - Period of Performance)

Evaluation of Results:

Did you identify any control deficiencies? **No**

If so, ~~you must:~~

- ~~1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.~~
- ~~2. Document the rationale for a LOW or HIGH risk assessment.~~

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Activities Allowed or Unallowed & Allowable Costs **Low**
Period of Performance **Low**

Internal Control Testing

1. During the preparation of the year end financial statements, the Accountant and Internal Auditor review AP transactions for allowability via the supplier invoice within Workday to determine which expenditures to charge to the award. (AP - Activities Allowed/Allowable Costs)

[We tested this control in conjunction with our compliance testing see, SA Sampling. We described our sampling procedures in our substantive testing below.](#)

[We obtained the spreadsheet created by the Accountant and tied it to the amount reported on the SEFA. We noted that all of our AP expenditures](#)

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selected were for allowable costs in our testing. We described our sampling procedures in our substantive testing below. **This control appears to be in place.**

2. During the City's review process, the Accountant uses the spreadsheet of allowable activities to identify and filter out any transactions prior to March 3rd to ensure they are only including expenditures recorded within the period of performance. (AP - Period of Performance)

We obtained the spreadsheet created by the Accountant and tied it to the amount reported on the SEFA. We scanned 100% of the AP transactions included in the total expenditures reported by filtering the spreadsheet by date. We noted that the date on all AP expenditures include on the spreadsheet were after the March 3rd period of performance start date. In addition to our scan we tested this in conjunction with our testing here, [SA Sampling](#). We described our sampling procedures in our substantive testing below. **This control appears to be in place.**

3. The City created 3 new time codes in Workday at the beginning of 2020 to record employee sick leave due to Covid exposure or illness and those expenditures were coded to those timecodes as they were incurred to ensure all costs approved by the Council were properly identified. (Payroll - Activities Allowed/Allowable Costs)

We tested this control in conjunction with our compliance testing see, [SA Sampling](#). We described our sampling procedures in our substantive testing below.

We obtained the spreadsheet created by the Accountant and tied it to the amount reported on the SEFA. We noted that all of our Payroll expenditures were supported by timesheets with time coded to one of the Covid Time Off timecodes. **This control appears to be in place.**

4. Per the City's policy, employees that use the Covid Time Off timecodes must submit the appropriate Covid leave request form and have it approved by their supervisor to ensure all time charged to those timecodes are for allowable activities. (Payroll - Activities Allowed/Allowable Costs)

We tested this control in conjunction with our payroll compliance testing. We obtained the spreadsheet created by the Accountant and tied it to the amount reported on the SEFA. We tested selected payroll expenditures to ensure they were supported by the applicable approved Covid leave request forms here: [SA Sampling](#). Within our testing, we noted that, while the time off charged to the grant was for an allowable purpose, **some employees' time charges were not supported with the appropriate leave request form that specified the reason for the time off as required by the City's Covid Time Off policy.**

5. They then use the applicable benefit rate to calculate the benefits associated with the Covid Time Off expenditures. (Payroll - Activities Allowed/Allowable Costs)

We reviewed the Accountant's pivot table within their spreadsheet where they calculated the benefit amounts that were charged to the award. We noted that all worker groups except Police and Fire were calculated using the Medicare + FICA rate of 7.65%. We searched the [irs.gov](https://www.irs.gov) website and confirmed that this was the correct rate for those benefit contributions. We noted that the Accountant only charged the Medicare rate of 1.45% for the Police and Fire worker groups to the award. We recalculated the amount charged to the award for each worker group and determined that the amounts were calculated correctly. **This control appears to be in place.**

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6. The Accountant pulls all expenditures charged to the Covid leave timecodes into their SLFRF grant expenditure spreadsheet and filters out any pay periods prior to March 3rd to ensure all expenditures charged to the grant fall within the period of performance. (Payroll - Period of Performance)

We obtained the spreadsheet created by the Accountant and tied it to the amount reported on the SEFA. We scanned 100% of the transactions included in the total expenditures reported by filtering the spreadsheet by date. We noted that Covid Time Off expenditures from prior to the March 3rd performance period start date were included in the amount reported as SLFRF fund expenditures. As part of our substantive testing we identified all instances of noncompliance to evaluate materiality below.

Evaluation of Results:

Did you identify any control deficiencies? **Yes** - We noted the following 2 control deficiencies:

- Within our testing, we noted that, while the time off charged to the grant was for an allowable purpose, some employees' time charges were not supported with the appropriate leave request form that specified the reason for the time off as required by the City's Covid Time Off policy. We noted a 40% control failure rate in our control testing.
- We noted that Covid Time Off expenditures from prior to the March 3rd performance period start date were included in the amount reported as SLFRF fund expenditures.

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.

We determined that the likelihood of noncompliance was more than remote and the magnitude of potential noncompliance was material for both control deficiencies.

2. Document the rationale for a LOW or HIGH risk assessment.

The control deficiencies did lead to noncompliance as several of the employees' leave time charged to the grant were not supported for the appropriate documentation per the City's Covid Time Off policy and 83 payments were made to employees for Covid Time Off incurred prior to the period of performance, resulting in questioned costs of \$117,596 (or 10.5% of total program costs); therefore, we assessed the risk at HIGH.

Final Control Risk Assessment

We assess final control risk at:

Activities Allowed or Unallowed & Allowable Costs/Cost Principles **High**
Period of Performance **High**

Risk of Material Noncompliance

We assess the risk of material noncompliance at:

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Activities Allowed or Unallowed & Allowable Costs/Cost Principles **High**
Period of Performance **High**

Compliance Testing

We obtained the spreadsheet created by the Accountant which identifies all expenditures charged to the grant and tied it to the amount reported on the SEFA.

We identified four different kinds of expenditures that the City charged to the grant.

Expenditure Type	Amount	% of Total
Covid Time Off (payroll)	450,761.11	40%
Covid Services (AP)	656,427.06	59%
VPD Salaries/Benefits	9,104.34	1%
Covid Supplies	742.95	0%
<i>Total:</i>	1,117,035.46	

Covid Time Off and Covid Services made up 99% of the expenditures charged to the grant so we will focus our testing there. Because our testing population is broken into two separate populations, Payroll and AP, we obtained the SA Sampling spreadsheet and made two separate selections SA Sampling. Additionally we noted that each stratified type of transaction had multiple controls it. Therefore we lowered our assurance from high to moderate. We set our tolerable noncompliance rate at 10% which resulted in a sample size of 18 Service expenses and 22 Covid Time Off expenses. There were no statistically significant items in either of our populations.

A. Direct Costs

1. Selected Expenditures:

We conducted dual purpose compliance testing in conjunction with our control testing. The Accountant identified which Allowable Cost Category was applicable for each of our selected expenditures. We tested our selected expenditures to determine whether they met the activities allowed/allowable cost requirements per their applicable Allowable Cost Category here: A-B & H - SLFRF Expenditure Testing (updated). Within our testing, we noted that, while the time off charged to the grant was for an allowable purpose as indicated by the COVID timecode on the timesheet, the time charges for 9 out of the 22 employees sampled (40%) were not supported with the appropriate leave request form that specified the reason for the time off as required by the City's Covid Time Off policy. However, although the charges are not properly supported per City policy, the expenditure of SLFRF funds for Covid Time Off and associated benefits themselves is not unallowable per the federal requirements. Therefore, we are not questioning costs.

In addition, we reviewed the Accountant's pivot table within their spreadsheet where they calculated the benefit amounts that were charged to

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the award. We noted that all worker groups except Police and Fire were calculated using the Medicare + FICA rate of 7.65%. We searched the irs.gov website and confirmed that this was the correct rate for those benefit contributions. We noted that the Accountant only charged the Medicare rate of 1.45% for the Police and Fire worker groups to the award. We calculated the amount charged to the award for each selected employee.

2. Impact of unallowable costs

N/A - no unallowable costs identified (other than those identified in our period of performance testing as noted below). As noted above, we did find costs that were not appropriated supported though.

B. Indirect Costs

Required: You must test if indirect costs are at least 10% of the federal expenditures during the audit period.

N/A: The City did not charge any indirect costs to the grant.

C. Period of Performance

Determine if the costs were incurred during the period that begins on March 3, 2021 and ends on December 31, 2024, using the attached spreadsheet.

We reviewed the testing strategy and noted that "recipients may only use funds to cover costs incurred during the period **beginning on March 3, 2021 and ending on December 31, 2024** per section 602(g)(1) of the Social Security Act as added by section 9901 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 and Treasury's Interim Final Rule at 31 C.F.R. § 35.5(a)." We tested our selected expenditures to determine whether they were incurred during the period of performance here: A-B & H - SLFRF Expenditure Testing (updated). Within our testing we noted five instances where the expenditure was incurred prior to the period of performance start date of March 3rd. During our review of the Covid Time Off coded to the grant, we noted that payments made prior to the March 3rd period of performance beginning were charged to the grant. We conducted a detailed review of 100% of the population and identified 83 transactions with a total of \$117,596, including the calculated benefits, charged to the grant prior to March 3rd see, A-B & H - SLFRF Expenditure Testing (updated) for details of the error population.

Evaluation of Results:

Did you identify any noncompliance? **Yes** - we noted two areas of noncompliance:

- Employee time charges were not properly supported with the required leave request forms per the City's Covid Time Off policy.
- Covid Time Off incurred prior to the period of performance was charged to the grant.

If so, **you must**:

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1. Determine and document the magnitude of the noncompliance on the program as a whole.

Based on our testing, we determined that the magnitude of non-compliance was material. 40% of COVID leave time tested was not adequately supported and over 10.5% costs charged to the program were outside the period of performance

2. Document the reason for the noncompliance.

For period of performance, the City did not dedicate sufficient resources and time to ensure they applied their understanding of the requirement. In addition, the City did not independently review the costs to ensure they were within the period of performance. For the lack of leave documentation, the City did not implement controls to ensure documentation was obtain prior to making the payment.

3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).

Activities Allowed/Allowable Costs - Based on the testing we performed, we have already identified material noncompliance, therefore, **additional testing is not required.**

Period of Performance - We were able to filter the Covid Time Off spreadsheet by date to identify 100% of period of performance noncompliance. **No further testing required.**

4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.]

We reassessed final control risk and determined material noncompliance occurred, so control risk should remain at HIGH.

We carried these exceptions to the LOR here: LOR SummaryThe City lacked adequate internal controls for ensuring compliance with federal requirements for allowable activities and costs, period of performance, procurement, and suspension and debarment.

G.3.PRG - FY21 Coronavirus State and Local Fiscal Recovery Fund - 21.027

Procedure Step: I - Procurement, Suspension & Debarment

Prepared By: KH, 6/15/2022

Reviewed By: NAH, 12/22/2022

Record of Work Done.:

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Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **High**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Procurement Manager: Anna Vogel

City Accountant: LaVonne Steiner-Weigel

Control Understanding

The City Council passes ordinances to approve policies for procurement and conflict of interest. All procurement activities for expenditures charged to federal programs follow the citywide procurement policy. Additionally, the City has a policy that supersedes the citywide policy that is specific to Federal Grant award funds with a purpose to ensure the City complies with the procurement standards in the Uniform Guidance or the terms and conditions of the specific Federal Award including conflict of interest (Control 1). The City's federal Award policy competitive bidding threshold is \$150,000 which is more restrictive than the Federal requirement of \$250,000 and lists other compliance requirements including conflict of interest policies.

The City's procurement department follows City policy when entering into personal service contracts. The City policy covers federal requirements and State/local procedures. Anna Vogel follows the procurement policy when selecting and entering into the personal service contracts. Additionally, the City's legal team drafts contract templates for all City procurement contracts which include all compliance requirements including suspension and debarment clauses. The procurement department obtains and uses the approved templates for all contracts to ensure all compliance requirements are met (Control 2 continued). The City includes a signed statement from contractors attesting that they are not suspended or debarred in their contracts (Control 3). Before contracts are approved by the procurement department, the Procurement Manager also checks the contractor's status on SAM.gov to ensure they are not suspended or debarred.

Key Controls Identified

1. The City has a policy that supersedes the citywide policy that is specific to Federal Grant award funds with a purpose to ensure the City complies with the procurement standards in the Uniform Guidance or the terms and conditions of the specific Federal Award including conflict of interest. (Procurement Policy/Conflict of Interest)
2. Procurement department utilizes the city policy when selecting and entering into personal service contracts. Additionally, the department

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obtains and uses the approved legal team's templates for all contracts to ensure all compliance requirements are met. (Procurement)

3. The City includes a signed statement from contractors attesting that they are not suspended or debarred in their contracts. (Suspension & Debarment)

Evaluation of Results:

Did you identify any control deficiencies? **No**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Procurement **Low**

Suspension and Debarment **Low**

Internal Control Testing

1. The City has a policy that supersedes the citywide policy that is specific to Federal Grant award funds with a purpose to ensure the City complies with the procurement standards in the Uniform Guidance or the terms and conditions of the specific Federal Award including conflict of interest. (Procurement Policy/Conflict of Interest)

[We obtained the City's citywide procurement policy VMC 3.05 Purchasing and Public Works, conflict of interest policy Conflicts of Interest Employment Policy, and federal award procurement policy Procurement Policy Uniform Grant Guidance Expenditure of Federal Funds 2..](#) . [We noted that the federal award procurement policy included all of the Uniform Guidance requirements and conflict of interest language. This control appears to be in place.](#)

2. Procurement department utilizes the city policy when selecting and entering into personal service contracts; the department also obtains and uses the approved legal team's templates for all contracts. both of these steps ensure all compliance requirements are met. (Procurement).

[To ensure City policy was used in selecting the correct procurement method and following procurement requirements detailed in the policy, we tested this in conjunction with our substantive testing, see - I - Procurement, Suspension & Debarment Testing.](#) [We noted a control weakness over procurement.](#)

[For testing the contract template being used we obtained contracts for Del Sol. We confirmed the contracts were signed by the City's attorney indicating the contracts followed the approved templates.](#)

3. The City requires that contractors provide their contractor's license and checks the contractor name per the license against the lists of parties excluded on the federal and state website using SAM.gov (Control# 3).

[We conducted dual purpose testing in conjunction with our compliance testing. We tested selected contracts to determine whether the procurement department included a suspension and debarment clause in their contract here: I - Procurement, Suspension & Debarment Testing.](#) [We noted a control weakness over suspension and debarment.](#)

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Control Weakness

Procurement - The City procured these contracts in 2018 and 2020, at the time of the procurement the City was not planning to utilize federal funds on these activities. The City procured Del Sol in 2018, then in March of 2020 they amended the contract and added additional sanitization services. then again in 2021 the City did an additional amendment to increase the contract value and continue the services. The City procured PPC solutions in 2020 and continued to utilize the same contract into 2021. In 2021 the City was awarded the SLFRF funding and charged it to these contracts. The City did not have a control in place to ensure the projects complied with federal procurement requirements when expenses were charged to the federal program.

Suspension and debarment - The City did not retain any documentation that they verified Del Sol was not suspended or debarred prior to awarding the contract.

Evaluation of Results:

Did you identify any control deficiencies? **Yes: Procurement and Suspension & Debarment**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.

Procurement:

- **Likelihood of noncompliance:** more than remote
- **Magnitude of potential noncompliance:** Material

Suspension and Debarment:

- **Likelihood of noncompliance:** more than remote
- **Magnitude of potential noncompliance:** Material

2. Document the rationale for a LOW or HIGH risk assessment.

Procurement: The Del Sol and PPC Solutions contract procured in this grant was not procured in accordance with federal procurement requirements

Suspension and Debarment: The control deficiency did lead to noncompliance as one of the two contracts we tested was non-compliant. Therefore, we assessed the risk of material noncompliance at HIGH.

Final Control Risk Assessment

We assess final control risk at:

Procurement **High**

Suspension and Debarment **High**

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Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Procurement **High**

Suspension and Debarment **High**

Compliance Testing

Per the Technical Update to Addendum 1 of the 2021 Compliance Supplement (local only):

Recipients may use award funds to enter into contracts to procure goods and services necessary to implement one or more of the eligible purposes outlined in section 603(c) of the Act and Treasury's Interim Final Rule. As such, recipients are expected to have procurement policies and procedures in place that comply with the procurement standards outlined in the Uniform Guidance. All non-federal entities other than States under the program, including subrecipients of a State, must follow the procurement standards in 2 CFR §§ 200.318 through 200.327, including ensuring that the procurement method used for the contracts are appropriate based on the dollar amount and conditions specified in 2 CFR § 200.320.

Both of our selected contracts were for Purchased Services for routine functions. We reviewed the testing strategy and the SAO Bidding and Procurement Planning Guide and determined that the following competitive procurement method and dollar threshold requirements were applicable to both of our selected contracts:

Method	Used for	Thresholds		
		Federal	RCW	Local
Sealed/Formal Bids (Formal solicitation with a firm, fixed-price contract awarded to responsible bidder)	Purchases of property or services Purchased Services (for routine functions) Personal Services (e.g. consultant) Public Works	\$250,000 or more	*Auditor to determine from Bidding and Procurement Planning Guide *Competitive procurement generally not required for Purchased or Personal Services	auditor to determine

We reviewed 2 CFR 200.320 and noted the following compliance requirements for sealed bid procurement:

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Sealed bids. A procurement method in which bids are publicly solicited and a firm fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bids method is the preferred method for procuring construction, if the conditions.

(i) In order for sealed bidding to be feasible, the following conditions should be present:

(A) A complete, adequate, and realistic specification or purchase description is available;

(B) Two or more responsible bidders are willing and able to compete effectively for the business; and

(C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price

We obtained the City Accountant's spreadsheet listing all expenditures charged to the grant. We reviewed the spreadsheet and noted that 89% of the services and supplies expenditures were the result of procurement activities. We identified 2 contractors for personnel services that made up those procurement activities:

- PPC Solutions - Total Service Contract of **\$5,000,000**; charged \$49,264 within the audit period.
- Del Sol - Total Service Contract of **\$7,500,000**; charged \$538,479 within the audit period.

We obtained the original contract documents and all applicable amendments and tested both contractors to determine whether they were in compliance with procurement and suspension & debarment requirements as documented below.

PROCUREMENT (reminder, if procurement is not direct and material, you do not have to test policies)

1. Written Procurement Policy/Procedures:

a. Obtain the entity's written procurement policies/procedures and verify that they comply with the Uniform Guidance requirements as noted in the testing strategy.

We obtained the entity's written procurement policy linked here: [VMC 3.05 Purchasing and Public Works](#) and the City's policy specific to Federal Grant Award Funds linked here: [Procurement Policy_Uniform Grant Guidance_Expenditure of Federal Funds_2..](#) and verified that they comply with the Uniform Guidance requirements as noted in the testing strategy. The citywide policy includes a section specifying that federal competitive bidding regulations supersede the policy when federal grant funds are used to pay for the procurement. **No concerns.**

b. Determine if the policy allows the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals (for example, the Child Nutrition Cluster allows use of geographical preference for the procurement of unprocessed agricultural products, both locally grown and locally raised). If so, verify this was not applied to federally funded procurement except where expressly allowed or encouraged by the federal regulations. This can be done as part of testing of #3 for selected transactions by determining if geographical preference was used during the procurement process.

We reviewed the City's written procurement policy and noted that the policy prohibited favoring local businesses in the award of competitively awarded contracts. The policy cites the City Charter and Washington law prohibiting this activity. **No concerns.**

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2. [Written Standards of Conduct](#):

Verify that the entity has written standards of conduct/policy covering conflicts of interest for employees, agents, etc. engaged in the selection, award and administration of contracts. The standards must have these elements:

- A. The officers, employees, and agents may not participate in the selection, award, or administration of a contract supported by a Federal award if they have a real *or apparent* conflict of interest.
- B. The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
- C. Must include or disciplinary actions for violations of such standards.

We reviewed the City's federal award procurement policy linked here: [Procurement Policy Uniform Grant Guidance Expenditure of Federal Funds 2...](#). We identified each of the required elements listed above within the policy. **No concerns.**

3. [Procurement](#):

Select procurement transactions and perform the following procedures:

For sealed bids:

- Verify the contract files document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price (2 CFR 200.318(i)).
- Verify that the procurement method used was appropriate based on the dollar amount and conditions specified in 2 CFR 200.320 Methods of procurement to be followed (that they used the appropriate threshold).
- Procurements provide full and open competition in accordance with 2 CFR 200.319 Competition.
- Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (2 CFR 200.319)
- Determine if a cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold (**lesser of the entity bid threshold or \$250,000**), including contract modifications, and that the analysis supported the procurement action (2 CFR 200.324 Contract cost and price). The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the auditee must make independent estimates before receiving bids or proposals. Note, if the entity piggybacked, determine if it verified the lead performed the analysis when applicable.

We reviewed Uniform Guidance 2 CFR 200.320(b)(2)(iv) which specifies that entities can only use competitive proposals for A/E professional services and all other types of services should be procured using sealed bids. Therefore, we determined that the appropriate procurement method for routine services such as the janitorial and security services should be procured using the sealed bidding process as it was above the \$250,000; the federal competitive procurement threshold. We inquired with the Procurement Manager and learned that the City used the competitive proposal method for the procurement of janitorial services (Del Sol contract) and security services (PPC Solutions). As a result, the City did not comply with procurement requirements for these two contracts.

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We conducted dual purpose testing in conjunction with our control testing to determine whether the City followed the applicable compliance requirements for service procurement using sealed bidding procedures here: I - Procurement, Suspension & Debarment Testing. Based on our testing we determined that the City used the wrong method for procurement.

Through our talks with the Procurement Manager, we determined that at the time the contracts were procured, they were not intended to be paid for using federal funds. The City followed their own policy for procurement using local funds which is less restrictive than federal procurement requirements. Subsequently to the procurement, the City Accountant determined that the services performed by the contractors was for allowable activities under the SLFRF grant requirements and decided to charge some of the service expenditures to the grant. At that point, the City did not review the contracts with either contractor to ensure the procurement process met the federal procurement requirements necessary for their costs to be covered with federal funds.

For competitive proposals (in addition to above) per 2 CFR 200.320(b)(2):

- Verify requests for proposals were publicized and the entity identified all evaluation factors and their relative importance.
- Verify proposals were solicited from an adequate number of qualified sources.
- Verify the entity has a written method of conducting technical evaluations of the proposals received and for selecting recipients.
- Determine if the contracts were awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.

N/A: We reviewed Uniform Guidance 2 CFR 200.320(b)(2)(iv) which specifies that entities can only use competitive proposals for A/E professional services and all other types of services should be procured using sealed bids. Therefore, we determined that the appropriate procurement method for routine services such as the janitorial and security services should be procured using the sealed bidding process.

For small purchase procedures (in addition to A-D for sealed bids) per 2 CFR 200.320(a)(2):

N/A: We did not select any small purchases for testing.

SUSPENSION AND DEBARMENT

Select new contracts (including purchases/purchase orders) that exceed \$25,000, paid all or in part with federal funds, and subrecipient agreements (no dollar minimum) and verify the entity performed one of the following during the procurement process or when the contract was made (*attached is a template*):

1. Checked their status on the online search engine SAM.gov (and have support)
2. Put a clause in the contract, whereby the signer attests they are not suspended or debarred.
3. Obtained a signed certificate, whereby the signer attests they are not suspended or debarred.

We conducted dual purpose compliance testing in conjunction with our control testing. We tested our selected contracts to determine whether the City verified that the contractor was not suspended or debarred here: I - Procurement, Suspension & Debarment Testing. The City's Procurement

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Manager confirmed they did not retain any documentation that they verified that Del Sol was not suspended or debarred prior to awarding the contract.

Evaluation of Results:

Did you identify any noncompliance? **Yes**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.

Procurement - Based on our testing, we determined that the magnitude of non-compliance was material. Total amounts charged to grant from contracts is 53% (587,743/\$1,117,035).

Suspension and Debarment - Based on our testing, we determined that the magnitude of non-compliance was material. As 1 out of 2 contracts over \$25,000 were out of compliance

2. Document the reason for the noncompliance.

Through our talks with the Procurement Manager, we determined that at the time of the two service contracts were procured, they were not intended to be paid for using federal funds. The City followed their own policy for procurement using local funds which is less restrictive than federal procurement requirements. Subsequently to the procurement, the City Accountant determined that the services performed by the contractors was for an allowable activities under the SLFRF grant requirements and decided to charge some of the service expenditures to the grant. At that point, the City did not review the contracts with either contractor to ensure the procurement process met the federal procurement requirements necessary for their costs to be covered with federal funds.

The City did not retain any documentation that they verified Del Sol was not suspended or debarred prior to awarding the contract.

3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).

We tested both contracts with expenditures charged to the grant, therefore, no further testing is necessary.

4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.

We determined that non-compliance was a result of a material weakness in internal controls identified in our testing. Our compliance testing confirms that material non-compliance occurred, so control risk should remain at HIGH.

We carried these exceptions to the LOR here: [LOR Summary](#)

City of Vancouver

G.3.PR.G - FY21 Coronavirus State and Local Fiscal Recovery Fund - 21.027

Procedure Step: L - Reporting
Prepared By: KH, 6/15/2022
Reviewed By: GTW, 9/16/2022

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **High**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

City Accountant: LaVonne Steiner-Weigel

Control Understanding

The Accountant obtained and reviewed all of the compliance supplements and guidance from the SAO, GFOA, and the Department of Treasury to identify all reporting requirements. In addition, they took a GFOA training on SLFRF reporting requirements. The Accountant obtained the Interim Report template from the Department of Treasury and used it to create the City's Interim report that was submitted to ensure that all reporting requirements were met (Control 1).

Key Controls Identified

1. The Accountant obtained the Interim Report template from the Department of Treasury and used it to create the City's Interim report that was submitted to ensure that all reporting requirements were met. (Reporting)

Evaluation of Results:

Did you identify any control deficiencies? **No**

City of Vancouver

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **Low**.

Internal Control Testing

1. The Accountant obtained the Interim Report template from the Department of Treasury and used it to create the City's Interim report that was submitted to ensure that all reporting requirements were met. (Reporting)

We obtained the Interim Report submitted by the City and noted that it was created using the Department of Treasury template. At the date of submission, the City had not determined what activities would be charged to the grant. Accordingly, the amount reported on the Interim report was \$0. The City received the SLFRF funds on 6/30/21 which made the Interim report submission due on 8/31/21. We obtained the City's Interim report certification and verified that the report was submitted on 8/31/21. **This control appears to be in place.**

Evaluation of Results:

Did you identify any control deficiencies? **No**

Final Control Risk Assessment

We assess final control risk at **Low**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **Low**.

Compliance Testing

Selection:

The only report required by the Treasury Department for FY2021 was an Interim Report. The City received their SLFRF funding on 6/30/21, therefore, the Interim report was due on 8/31/21. We obtained the Interim report submitted by the City and noted that the certified submission date was 8/31/21.

1. Support:

Trace the data reported in the Key Line Items to the auditee's records and supporting documentation.

At the time of submission, the City had not yet determined what expenditures it would charge to the grant. Accordingly, the amount reported on the Interim report was \$0. We obtained the slides from the GFOA training that the Accountant attended linked here: [GFOA training slides](#) and noted that, per slide 28 of the GFOA training slides, "if the recipient's plans have not reached to the stage of obligations, then those anticipated expenses do not yet have to be reported" and "revisions and future obligations/expenditures can be reported in the subsequent Project & Expenditures Reporting". **No concerns.**

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Key Line Items – The following line items contain critical information for the **Interim Report**:

1. Obligations and Expenditures.
 - Current period obligation
 - Cumulative obligation
 - Current period expenditure
 - Cumulative expenditure

We reviewed the Interim report submitted by the City and noted that it followed the prescribed format and included the required line items. However, at the time of submission, the City had not yet determined what expenditures it would charge to the grant. Accordingly, the amount reported on the Interim report and each of the line items above was \$0. **No concerns.**

2. Accuracy:

Test mathematical accuracy of reports and supporting worksheets

At the time of submission, the City had not yet determined what expenditures it would charge to the grant. Accordingly, the amount reported on the Interim report was \$0. **No concerns.**

3. Prescribed Format:

Verify that the data was accumulated and summarized in accordance with the awarding agency's criteria or using their required templates.

We noted that the Accountant used the Interim report template from the Department of Treasury to create the City's Interim report. **No concerns.**

4. Completeness:

Test the selected reports for completeness. Review supporting records and ascertain if all applicable data elements were included in the tested reports.

We noted that the Accountant used the Interim report template from the Department of Treasury to create the City's Interim report. **No concerns.**

Evaluation of Results:

Did you identify any noncompliance? **No**

G.3.PR.G - FY21 Coronavirus State and Local Fiscal Recovery Fund - 21.027

Procedure Step: REQUIRED - Program Summary

City of Vancouver

Prepared By: KH, 6/6/2022

Reviewed By: GTW, 9/2/2022

Record of Work Done:

We summarized the results of the major program audit: Major Federal Program - Local teams

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: Overview and Compliance Requirements

Prepared By: OT, 6/23/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Grant Overview:

Program Name: Home Investment Partnerships Program

CFDA: 14.239

I. PROGRAM OBJECTIVES

The objectives of the HOME Investment Partnerships (HOME) program include (1) expanding the supply of decent and affordable housing, particularly housing for low- and very low-income Americans; (2) strengthening the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; (3) providing financial and technical assistance to participating jurisdictions, including the development of model programs for affordable low-income housing; and (4) extending and strengthening partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing (24 CFR section 92.1).

II. PROGRAM PROCEDURES

The program is conducted by jurisdictions (states, cities, urban counties, and consortia) that receive an allocation of funds. Participating

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jurisdictions must submit a description of how they propose to use the funds for housing activities, together with certifications (24 CFR Part 91). The funding amount is based on a formula of six factors established to reflect a jurisdiction's need for an increased supply of affordable housing for low- and very low-income families (24 CFR section 92.50).

A state may carry out its own HOME program without active participation of units of general local government or may distribute HOME funds to units of general local government to carry out HOME programs in which both the state and all or some of the units of general local government perform specified functions. A unit of general local government designated by a state to receive HOME funds from a state is a "state recipient." A "subrecipient" is a public agency or nonprofit organization selected by the participating jurisdiction to administer all or some of the participating jurisdiction's HOME program. Before disbursing funds to an entity, each participating jurisdiction is required to enter into a written agreement with the entity. The contents of the agreement may vary depending on the role the entity assumes, or the type of project undertaken (e.g., state recipient, subrecipient, for-profit or nonprofit housing owner, developer, or sponsor, a contractor, or a home buyer, homeowner, or tenant receiving tenant- based rental or security deposit assistance) (24 CFR section 92.504).

Grant Expenditures/Awards:

CFDA #	Other Award I.D. Number	Total	Corrections between IDIS & Workday	FY20 GL Accruals - add to FY21 for Subrecipients	FY21 GL Accruals deduct from CY for Subrecipients - add to FY22	Program Income FY21	Total SEFA amount FY 21	Auditor's Notes/Comments
14.239	M-16-MC-53-0208	-	4,458.85	-	-	-	4,458.85	Tied to the GL and SEFA HOME grant reconciliation worksheet
14.239	M-17-MC-53-0208	-	14,177.26	-	-	-	14,177.26	Tied to the GL and SEFA HOME grant reconciliation worksheet
14.239	M-18-MC-53-0208	240,946.61	(18,387.94)	-	-	-	222,558.67	Tied to the SEFA HOME grant reconciliation worksheet and IDIS reconciliation.
14.239	M-19-MC-53-0208	234,303.54	115.50	2,350.14	-	-	236,769.18	Tied to the SEFA HOME grant reconciliation worksheet and IDIS reconciliation. Tied accruals to the City's accrual journal worksheet and reviewed the associated JE.
14.239	M-20-MC-53-0208	530,948.62	(567.44)	53,745.03	(12,248.05)	19,770.96	591,649.12	Tied accruals to the City's accrual journal worksheet and reviewed the associated JE and from review of the GL

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								expenditure report.
14.239	M-21-MC-53-0208	172,558.6		-	(23,995.62)		148,515.61	Tied accruals to the City's accrual journal worksheet and reviewed the associated JE and from review of the GL expenditure report.
		1,178,727.37					1,218,128.69	
SEFA Amount							1,218,129	
Difference							0.31	

Compliance Supplement Requirements:

We identified the direct and material compliance requirements: Major Federal Program - Local teams

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: A-B-H Activities Allowed/Allowable Cost/Period of Performance

Prepared By: OT, 6/23/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Home program Expenditures:

CFDA #	Other Award I.D. Number	Total	Corrections between IDIS & Workday	FY20 GL Accruals - add to FY21 for Subrecipients	FY21 GL Accruals deduct from CY for Subrecipients - add to FY22	Program Income FY21	Total SEFA amount FY 21	Auditor's Notes/Comments
14.239	M-16-MC-53-0208	-	4,458.85	-	-	-	4,458.85	Tied to the GL and SEFA HOME grant reconciliation worksheet
14.239	M-17-MC-53-0208	-	14,177.26	-	-	-	14,177.26	Tied to the GL and SEFA HOME grant reconciliation worksheet

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14.239	M-18-MC-53-0208	240,946.61	(18,387.94)	-	-	-	222,558.67	Tied to the SEFA HOME grant reconciliation worksheet and IDIS reconciliation.
14.239	M-19-MC-53-0208	234,303.54	115.50	2,350.14	-	-	236,769.18	Tied to the SEFA HOME grant reconciliation worksheet and IDIS reconciliation. Tied accruals to the City's accrual journal worksheet and reviewed the associated JE.
14.239	M-20-MC-53-0208	530,948.62	(567.44)	53,745.03	(12,248.05)	19,770.96	591,649.12	Tied accruals to the City's accrual journal worksheet and reviewed the associated JE and from review of the GL expenditure report.
14.239	M-21-MC-53-0208	172,558.6		-	(23,995.62)		148,515.61	Tied accruals to the City's accrual journal worksheet and reviewed the associated JE and from review of the GL expenditure report.
		1,178,727.37					1,218,128.69	
SEFA Amount							1,218,129	
Difference							0.31	

Program/Federal Contract	SEFA	GL - FUND 108 "All Transaction" Report	Auditor's Notes/Comments
M-16-MC-53-0208	4,459	4,458.85	
M-17-MC-53-0208	14,177	14,177.26	
M-18-MC-53-0208	222,559	222,310.50	
M-19-MC-53-0208	236,769	234,303.54	
M-20-MC-53-0208	591,649	530,948.62	
M-21-MC-53-0208	148,516	172,528.60	
	1,218,129	1,178,727.37	Difference are related to adjustments and accruals, see the above table.

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GL Total Expenditures Charged to the Grant:		
Services (AP)	1,113,731.73	94%
Supplies	339.07	0%
Salaries & Wages	41,259.07	3%
Employee Benefits	17,344.70	1%
Interfund Services	8,004.62	1%
Administrative (indirect costs)	2,953.49	0%
Total	1,183,632.68	

Compliance Supplement:

Compliance Requirements:

1) HOME funds (including program income generated by activities carried out with HOME funds) may be used by participating jurisdictions to provide for:

- (a) incentives to develop and support affordable rental housing and home ownership affordability through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations;
- (b) tenant-based rental assistance, including security deposits;
- (c) the payment of reasonable administrative and planning costs; and
- (d) the payment of operating expenses of Community Housing Development Organizations (CHDOs). The housing must be permanent or transitional. The acquisition of vacant land or demolition can only be undertaken with respect to a particular housing project intended to provide affordable housing, and when construction is expected to begin within 12 months. Conversion of an existing structure to affordable housing is rehabilitation unless certain circumstances exist. Manufactured housing may be purchased or rehabilitated and the land upon which it is built may be purchased with HOME funds. HOME funds may be used to pay for development construction hard costs, refinancing costs, acquisition costs, related soft costs, CHDO costs, relocation costs, and costs related to the repayment of loans (24 CFR sections 92.205(a) and 92.206).

2)

- a) A participating jurisdiction may use or "invest" HOME funds as equity investments, interest-bearing loans or advances, non-interest-bearing loans or advances, interest subsidies, deferred payment loans, grants, or other forms of assistance approved by HUD.
- b) A participating jurisdiction may invest HOME funds to guarantee loans made by lenders and, if required, the participating jurisdiction may establish a loan guarantee account with HOME funds. The amount of the loan guarantee account must be based on a reasonable estimate of

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the default rate on the guaranteed loans but under no circumstances, may the amount on deposit exceed 20 percent of the total outstanding principal amount guaranteed, except that the account may include a reasonable minimum balance. While loan funds guaranteed with HOME funds are subject to all HOME requirements, funds which are used to repay the guaranteed loans are not (24 CFR section 92.205(b))

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at LOW.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Samantha Whitley, Community Development Manager
Andrew Westlund, Financial Analyst

Activities Allowed & Cost Principles

The HOME grant are award to subrecipients through an application and risk assessment evaluation process. Grant funds are then distributed to the awarded agencies that have been deemed eligible to receive federal funding. In selecting the eligible agencies the City will announce when funding is available and provide the guidelines for the usage of funds. A pre-application screening is performed of interested agencies during the pre-application process, City HOME staff reviews the agencies' pre-application for eligibility and complete plans for use of funding. Once reviewed by City's HOME staff, staff will reach out the agencies and provide eligible agencies with a funding application. As agencies apply to receive funding, the applications are reviewed by a prioritization committee consisting of City HOME staff and citizen volunteers, in addition to review and evaluation of applicant's funding use proposal presentations. The prioritization committee, then evaluates and ranks the applications based on priority. The City Council will then review the rankings compiled by the prioritization committee and determine final approval.

Once the City Council approves an agency's proposal/ project, it is included within the City's Annual HOME Action Plan. The City's HOME Action Plan is sent to HUD for final approval along with a grant application to apply for funding.

After HUD has approved the City's Annual Action Plan and five year Consolidated Plan, the City receives a letter from HUD to show the funding available for the projects listed in the Action Plan. **The City will enter into a contract with each agency approved on the Action Plan, which also outlines that expenditures must meet grant requirements (Control #1).** These agency's are considered to be subrecipients and are subject to subrecipient monitoring. Program Coordinators will then set up the contract information in the Integrated Disbursement and Information System (IDIS) for billing and tracking purposes as required by HUD.

City of Vancouver

HOME expenditures incurred by subrecipient are first reviewed by Andrew Westlund, Financial Analyst. This review involves comparing invoices and reimbursement requests to the contract agreements to ensure they are within the budget and for allowable activities and are used to prepare the IDIS drawdown request. Samantha Whitley, Community Development Manager, then reviews the IDIS drawdown request and supporting documentations. **A cover sheet of the drawdown requests and submitted subrecipient expenditures are signed by the Financial Analyst and Community Development Manager, demonstrating that expenditures were reviewed ensuring that expenditures are allowable use of grant funds (Control #2).**

After Samantha Whitley, Community Development Manager, reviews the prepared IDIS drawdown request and supporting documentations, she will approve the IDIS drawdown request in IDIS.

Payroll charged to the grant are based on actual hours charged to the grant, hours are entered into the employees' online time reporting within Workday, time sheets are reviewed and approved by Samantha Whitley, Community Development Manager, and the Community Development Director, reviews and approves Samantha's time sheets (Control #3). A unique GL account code is used to track HOME grant related expenditures, the Financial Analyst, then reviews all payroll charged to the grant and ensures that time charged is allowable by running an 'All Transactions' report and reviewing payroll line items charged to the grant. **A cover sheet of the drawdown requests and submitted subrecipient expenditures are signed by the Financial Analyst and Community Development Manager, demonstrating that expenditures were reviewed ensuring that expenditures are allowable use of grant funds (Control #2).**

Andrew Westlund, Financial Analyst, further reconciles the amount received to the invoices to ensure the amounts agree. Prior to fiscal year end (June 30 for the grant, December 31 for the City), Andrew Westlund, Financial Analyst, downloads the total expenditures in Workday and compares it to the total amounts billed during the period ensuring that all expenditures were billed and paid.

Cost Principles -Indirect Costs:

Based on our control understanding, we noted that indirect costs are established as part of the HUD grant agreement and are allocated based on the City wide cost allocation plan. Indirects per the City wide cost allocation plan are primary for administrative charges to the grant. We obtained the HUD agreement which includes the HUD cost allocation plan and identified no indirect costs percentage. We also obtained the City's cost application plan which states [" Federal awards will be billed for the indirect costs charged to the department in proportion to the administrative work performed related to the award and any federal match requirements. The true up of those allocated costs will be applied to the federal award as soon as they are identified."]. We reviewed expenditures charged to the grant and noted about \$2,954 in administrative expenditures charged to the grant and determined that this is about 0% of federal expenditures charged to the grant, noting that indirect costs are not material.

From our control understanding we noted that indirect costs are charged as both payroll and administrative expenses under services, they are reported on the IDIS as administrative correlating to a specific project. We reviewed the federal expenditures charged to the HOME grant and noted that payroll and benefits charged to the grant makes up 4%, which accounts for about \$58,603 of total program expenditures. We then reviewed 'Administrative charges to the grant billed as services, as noted that these make up about \$2,954, which is less than 1%. The aggregate of both payroll and indirect costs are not material to the grant as they are less than 10%. Furthermore, we noted supplies and interfund services

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that were charged to the federal program, the aggregate of these charges are about 1%. With the combined total of payroll, benefits, administrative (indirect costs), supplies and interfund services of \$69,901, or 6%, **we determined to focus our testing over Services (AP) as these expenditures makes up 94% of expenditures charged to the federal program.**

Identified Key Controls

1. The City will enter into a contract with each agency approved on the Action Plan, which also outlines that expenditures must meet grant requirements (Control #1).
2. A cover sheet of the drawdown requests and submitted subrecipient expenditures are signed by the Financial Analyst and Community Development Manager, demonstrating that expenditures were reviewed ensuring that expenditures are allowable use of grant funds (Control #2).

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Activities Allowed & Cost Principles <LOW>

Period of Performance <LOW>

Internal Control Testing

1. The City will enter into a contract with each agency approved on the Action Plan, which also outlines that expenditures must meet grant requirements (Control #1).

From our inquiry, we noted that the City awarded the HOME grant to four subrecipients, we obtained the contract for all four subrecipients and reviewed to ensure that contract language outlines the allowable use of program funds. We noted that under 'Payment Provisions' references 2 CFR II, Part 200 - Cost principles. Also under 'Payment Provisions' each contract states that HOME funds use are limited to the activities described in the agreement and outlines within the project budget. Furthermore, we performed testing over subrecipient contracts within our M. Subrecipient Monitoring.

Based on our review of the awarded contracts, we determined that this control is in place and effective.

2. A cover sheet of the drawdown requests and submitted subrecipient expenditures are signed by the Financial Analyst and Community Development Manager, demonstrating that expenditures were reviewed ensuring that expenditures are allowable use of grant funds (Control #2).

NOTE: For our selection of program expenditures we focused our testing over Services (AP) as these transactions makes up 94%

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of total program expenditures , while all other expenditures charged to the grant accounts for about 6%. The aggregate of payroll, benefits, administrative (indirect costs), supplies and interfund services are less than 10%, these activities are not material to the grant. We determined to pass on review over these other transactions/activities and focus our testing over Services (AP).

We obtained an "All transaction" report from Workday, by running an "All Transaction" query for Fund 108 - CED Grants Fund. We tied the GL expenditures to the SEFA and reported IDIS drawdowns. Our expenditure tie-out and break down is documented above under 'HOME Program Expenditures'.

For our testing, we performed a dual-purpose testing of internal controls and compliance. Utilizing the SA-Sampling spreadsheet, we determined the sample size of expenditures for testing. Our tolerable noncompliance rate was set at 10% as this is the standard used for single audits, our assurance needed is HIGH as we are performing a dual-purpose testing and randomly selected transactions using the random number generator. Our sample documentation and summary of the testing performed is documented here [SA Sampling - A-B Expenditure Summary](#) and detailed testing was performed here [A-B - Expenditure Testing](#).

For our testing, we utilized Workday, and searched up the SINV no., for identified Services (AP) transactions and reviewed the attached cover sheet/subrecipient payment request we compared the cost description to the contract and to the compliance supplement and ensured that costs were allowable. **Based on our review, we determined that selected transactions met the compliance requirements for allowable costs/activities.**

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Final Control Risk Assessment

We assess final control risk at:

Activities Allowed & Cost Principles <LOW>
Period of Performance <LOW>

Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Activities Allowed & Cost Principles <LOW>
Period of Performance <LOW>

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Compliance Testing

A. Direct Costs

1. [Selected Expenditures:](#)

We obtained an "All transaction" report from Workday, by running an "All Transaction" query for Fund 108 - CED Grants Fund. We tied the GL expenditures to the SEFA and reported IDIS drawdowns. Our expenditure tie-out and break down is documented above under 'HOME Program Expenditures'.

For our testing, we performed a dual-purpose testing of internal controls and compliance. Utilizing the SA-Sampling spreadsheet, we determined the sample size of expenditures for testing. Our tolerable noncompliance rate was set at 10% as this is the standard used for single audits, our assurance needed is HIGH as we are performing a dual-purpose testing and randomly selected transactions using the random number generator. Our sample documentation and summary of the testing performed is documented here [SA Sampling - A-B Expenditure Summary](#)

2. [Applicable Credits:](#)

Based on our inquiry and review of program expenditures as part of our expenditure tie-out, we noted no credit transactions.

3. [Impact of unallowable costs](#)

There were no unallowable costs identified.

B. Indirect Costs

We determined that indirect costs are less than 10% and therefore not material and passed on review.

C. Period of Performance

Not applicable per the compliance supplement.

Evaluation of Results:

Did you identify any noncompliance? **None identified**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls

City of Vancouver

G.4.PRГ - FY21 Home Grant 14.239

Procedure Step: M. Subrecipient Monitoring

Prepared By: OT, 6/23/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Compliance Supplement:

Each participating state is responsible for distributing HOME funds throughout the state according to the state's assessment of the geographical distribution of housing need within the state. A state may carry out its HOME program without active participation of units of general local government or may distribute HOME funds to units of general local government to carry out HOME programs in which both the state and all or some of the units of general local government perform specified program functions. A state that uses state recipients to perform program functions shall ensure that the state recipients use HOME funds in accordance with applicable laws and requirements. A state shall include in its written agreements with its state recipients such additional provisions as may be appropriate to ensure compliance and to enable the state to carry out its responsibilities under the HOME program. The state is to conduct such reviews and audits of its state recipients as may be necessary or appropriate to determine whether the state recipient has committed and expended the HOME funds, as required by 24 CFR section 92.500, and has met HOME program requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirement (24 CFR section 92.201(b)).

Before disbursing funds to a subrecipient, each participating jurisdiction is required to enter into written agreements with the entity, which includes provisions dealing with the use of HOME funds, program income, uniform administrative requirements, other program requirements, affirmative marketing, requests for disbursement of funds, reversion of assets, records and reports, and enforcement of the agreement. Further, if the subrecipient provides HOME funds to for-profit owners or developers, nonprofit organizations, subrecipients, homeowners, home buyers, tenants receiving tenant-based rental assistance, or contractors, the subrecipient must have a written agreement that contains the applicable provisions in 24 CFR section 92.504(c).

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at <LOW>.

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Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Samantha Whitley, Community Development Manager

Approved applicants are required to have a written contract with the City. The City uses a contract template that been reviewed and approved by its attorney. **The Community Development Manager ensures that specific grant regulations, restrictions and required subaward information per federal grant requirements are included within this contract and it is signed by the subrecipient before activities are allowed to begin (Control #1).**

The risk assessment covers the type of program, amount of funds awarded (by HOME & CDBG), if the program is new to the City, and any change in leadership of the agency or program. Any agency applying for HOME grant funding is required to supply their entity's information including their DUNS number. The risk assessment process ensures that all awarded subrecipients have met compliance prior to receiving grant awards, this process also evaluates to determine if the subrecipient had received any audits, deficiencies or noncompliance, this also determined the level and extend of monitoring based on the subrecipients' assessment scores. **The City of Vancouver has written procedures in place to ensure that risk assessments are preformed prior to contract execution (Control #2).**

The City performs a risk assessment for each agency that begins during the application process. As part of the application, the City request that each agency provide a description of their mission, number of years in business and board structure, in addition to their capacity and experience in undertaking the proposed program or project. Furthermore, the risk assessments requires the agencies to describe their fiscal management, including record keeping, reporting, payment procedures and audit requirements. All of these questions are scored and a low overall score would reduce the application's ability to receive funding since it is a competitive process. Each applicant must also upload their annual budget or YTD financial statement in order to submit their application. A subrecipient has to provide all of the documentation on the subrecipient compliance checklist, which includes the most recent audited financial. All of the documents requested/received are kept in an online "Agency Info" folder to ensure that documentations has been obtained from the subrecipient. **The City utilizes a check-list to track and ensure that all required documentations, including the most recent audited financial statements are obtained for assessment (Control #3).**

Monitoring occurs for all CDBG and HOME funded entities as part of the pre-award selection process and throughout the contract period. The outcome of the risk assessment determines the frequency and type of monitoring performed. Desk monitoring is performed each time an entity submits an invoice by matching that invoice to the contract and ensuring that expenditures are allowable per the grant. On-site monitoring occurs if the subrecipient scores indicate a need based on risk assessment. Furthermore, **Subrecipient contracts includes reporting requirements**

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that requires subrecipients to submit quarterly reports, quarterly budgets vs actuals and reimbursement submissions with supporting records, these are reviewed by the HOME grant staff, and reimbursement of expenditures are reviewed by the Financial Analyst and Community Development Manager, a cover sheet is signed off as evidence of review (Control #4).

Identified Key Control

1. The Community Development Manager ensures that specific grant regulations, restrictions and required subaward information per federal grant requirements are included within this contract and it is signed by the subrecipient before activities are allowed to begin (Control #1).
2. The City of Vancouver has written procedures in place to ensure that risk assessments are performed prior to contract execution (Control #2).
3. The City utilizes a check-list to track and ensure that all required documentations, including the most recent audited financial statements are obtained for assessment (Control #3).
4. Subrecipient contracts includes reporting requirements that requires subrecipients to submit quarterly reports, quarterly budgets vs actuals and reimbursement submissions with supporting records, these are reviewed by the HOME grant staff, and reimbursement of expenditures are reviewed by the Financial Analyst and Community Development Manager, a cover sheet is signed off as evidence of review (Control #4).

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at <LOW>.

Internal Control Testing

1. The Community Development Manager ensures that specific grant regulations, restrictions and required subaward information per federal grant requirements are included within this contract and it is signed by the subrecipient before activities are allowed to begin (Control #1).

Based on our inquiry with Samantha Whitley, Community Development Manager, we obtained a list of subrecipients that were awarded the HOME grant in FY2021, from this list, **four** agencies were awarded federal funding. For our testing, we determined to review all **four** new contracts. Additionally we selected the **five** highest awards given out. Our selection totals **nine** subrecipients and makes up 92.1% of the awards. Our testing of the **nine** subrecipients is documented here M - Subrecipient Monitoring Testing

For our testing, we performed a dual-purpose testing in conjunction with our compliance testing. We obtained and reviewed each awarded subrecipients' contract and ensured that federal grant requirements were included and referenced within the contract and that the contracts were fully executed. **We determined that this key control is in place and effective.**

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2. The City of Vancouver has written procedures in place to ensure that risk assessments are preformed prior to contract execution (Control #2).

We obtained the City's written procedures. See M - Subrecipient Monitoring Testing tab 'written Procedures'. We reviewed the procedures and noted that as part of the contract process "Collecting required agency information to assess capacity" was outlined as a required procedure to complete prior to awarded the HOME grant to the subrecipient.

We obtained the City's '2021 CDBG HOME Risk Assessment Scoring' worksheet, along with the '2020 HOME Audit Risk Assessment Scoring' worksheet. We reviewed the scoring and compared against the City's criteria and noted that each subrecipient were scored based on the Type of Program, Amount of HOME funds requesting, Findings from recent monitoring activities, funding sources, etc. these scores then determine the risk factor of the subrecipient. **We determined that this control is in place.**

Summary of the City's Risk Assessment of the awarded HOME grant to subrecipients:

Funding Source	Organization	Project	Risk Assessment Factors									Total Score
			Type of program	Amount of HOME funds awarded	Amount of CDBG funds awarded	Amount of AHF funds awarded	Program is newly funded by COV	Change in leadership of agency or program	Findings from recent monitoring activities	Status of quarterly progress reports	Multiple lenders and funding sources	
HOME	Consumer Voices Are Born Inc.	HARPS Enhanced Sustainability Project	3	1	-	-	4	0	0	0	1	9
HOME	Janus Youth Programs, Inc.	Nest-TRBA	3	1	-	-	0	0	0	0	1	5
HOME	Second Step Housing	TBRA Program	3	2	-	-	0	0	0	0	1	6
HOME	Mercy Housing	PeaceHealth Family Housing	5	1	-	-	4	0	0	0	2	12
HOME	Habitat for Humanity	Evergreen Habitat Land Acquisition	5	1	1	0	0	0	0	0	1	8
HOME	Janus Youth Programs, Inc.	Nest - TRBA	3	1	1	0	0	0	0	0	1	6
HOME	Second Step Housing	TBRA Program	3	1	1	0	0	0	0	0	1	6
HOME	Share	Aspire - TBRA	3	2	1	0	0	0	0	1	1	8

3. The City utilizes a check-list to track and ensure that all required documentations, including the most recent audited financial statements are obtained for assessment (Control #3).

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We obtained the City's 'Subrecipient Compliance Check-list' and noted that the check-list includes "Most recent audited financial statements'. Furthermore, within our control #2 testing above, we noted that the City obtained and reviewed the most recent financial statements, this was assessed under "Findings from recent monitoring activities". For the nine subrecipients awarded the HOME grant, we noted that all subrecipients received a score of 0, indicating that there were no unresolved finding, which is evaluated as low risk. **We determined that this control is in place.**

4. Subrecipient contracts includes reporting requirements that requires subrecipients to submit quarterly reports, quarterly budgets vs actuals and reimbursement submissions with supporting records, these are reviewed by the HOME grant staff, and reimbursement of expenditures are reviewed by the Financial Analyst and Community Development Manager, a cover sheet is signed off as evidence of review (Control #4).

For our nine selected subrecipients we reviewed all contracts awarded and noted that reporting requirements were outlined. Additionally, we obtained and reviewed the subrecipient's submitted quarterly reports, financial statements, and submitted budgets. We performed testing over the City's monitoring of submitted reimbursement of expenditures within our drawdown of HOME funds. Our testing is documented here [M - Subrecipient Monitoring Testing](#)

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Final Control Risk Assessment

We assess final control risk at <LOW>.

Risk of Material Noncompliance

We assess the risk of material noncompliance at <LOW>.

Compliance Testing

We obtained a list of subrecipients that were awarded the HOME grant in FY2021, from this list, **four** agencies were awarded federal funding. For our testing, we determined to review all **four** new contracts. Additionally we selected the **five** highest awards given out prior to FY2021. Our selection totals **nine** subrecipients and makes up 92.1% of the awards.

For the below compliance requirements, see testing here [M - Subrecipient Monitoring Testing](#)

1. [Subrecipient Contracts](#)

We obtained the grant agreement and tested the subaward contract using the federal subrecipient contract check-list ensuring that all required

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elements were included.

2. [Monitoring - Required Activities](#)

We obtained the City's risk assessments performed, quarterly reports submissions, and reviewed the City's monitoring of expenditure activities within our review of the program requirement drawdown of HOME Funds.

Based on our review, we determined that the City has completed the required monitoring activities, we noted no exceptions.

3. [Monitoring - Reasonableness](#)

The City obtained the agencies' financial statements and performed a risk assessment to identify noncompliance. These risk assessments are performed during the application process to detect and identify risk associated. Through this process the risk assessments established a low risk of noncompliance for subrecipients. As part of the risk assessment, the City obtains and reviews the subrecipient's financial statements and independent audit reports to ensure noncompliance, furthermore, a budget is submitted and reviewed against the financial statements to determine liability risks.

Once the federal award has been awarded to the subrecipients, monitoring plans includes reviewing the subrecipient's submitted reimbursement requests, Andrew Westlund, Financial Analyst, ensures that all submitted expenditures are allowable per the grant, are supported and agrees to the reimbursement request, as well as supporting documentation for eligible activities. The reimbursement request cover sheet is signed by Andrew and Samantha, Community development Manager, as evidence of review. We obtained subrecipient submitted reimbursements requests paid by the City as selected within our A-B Expenditure testing, we also obtained the subrecipient's underlying records and reviewed documentations to ensure that the submitted reimbursements were sufficient to detect noncompliance, agreed to amount requested and for an allowable purpose as outlined within the contract. We also performed the same procedures for selected drawdown of HOME funds made by the City. Our review is documented here [SA Sampling - A-B Expenditure Summary](#) and [SA Sampling - Drawdowns](#)

Our allowable costs/activities testing ensures that expenditures were allowable per federal requirements and that submitted reimbursements were signed off by Andrew and Samantha. Our testing of drawdowns also verifies that subrecipients' submitted expenditures were reviewed for noncompliance.

We also noted that within the subawarded contracts, the contract requires the subrecipient to submit quarterly reports. We obtained and reviewed these quarterly reports and verified that the City ensured that all subrecipients submitted quarterly reports in accordance to the contract.

Based on our review, we determined that this level of monitoring appears reasonable given the level of risk identified for each subrecipient.

Evaluation of Results:

Did you identify any noncompliance? **None identified**

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If so, you must:

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: N 2. Maximum Per-Unit Subsidy and Underwriting Requirements

Prepared By: OT, 6/22/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Compliance Supplement:

Compliance Requirement:

The per-unit investment of HOME funds may not exceed the Federal Housing Administration (FHA) mortgage limits in Subsection 221(d)(3) of the National Housing Act, including any area-wide high cost exceptions approved by HUD. This information should be available from the grantee or the local HUD field office. In mixed-income or mixed-use projects, the average per-unit investment in HOME-assisted units may not exceed the applicable Subsection 221(d)(3) (i.e., 234) limit. Participating jurisdictions are required to evaluate each housing project in accordance with guidelines that it adopts to ensure that the combination of federal assistance to the project is not any more than is necessary to provide affordable housing that is financially viable. Prior to the commitment of HOME funds to a project, participating jurisdictions must evaluate the project in accordance with guidelines that it has adopted, which must include

- (a) an examination of the sources and uses of funds for the project and a determination that the costs are reasonable;
- (b) an assessment of the current market demand in the neighborhood in which the project will be located;
- (c) an assessment of the experience and financial capacity of the developer; and
- (d) an assessment of the firm written financial commitments for the project (24 CFR section 92.250).

Audit Objectives:

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Determine whether the grantee performs the required analysis to ensure that HOME subsidies being provided are not more than necessary to provide affordable housing and that such analysis appears reasonable and is properly supported.

Suggested Audit Procedures:

- a. Review a sample of projects to verify that the HOME subsidy amounts are supported by the participating jurisdiction's records.
- b. Review participating jurisdiction records to verify that each housing project was evaluated in accordance with its guidelines and to ensure that the combination of federal assistance to the project is not any more than is the FHA mortgage limits in Subsection 221(d)(3) (i.e., 234) of the National Housing Act necessary to provide affordable housing.

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at <LOW>.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Samantha Whitley, Community Development Manager

During the application process, the HOME staff review project applications for feasibility, financial need, and numerous other factors to ensure that federal assistance is not more than necessary. The Annual Action Plan and the contract agreement with each subrecipient states the amount of funds committed from HOME for each project. **The City has written procedures in place to ensure that prior to contract execution a Maximum Subsidy Calculation is performed and reviewed to ensure that federal assistance is not more than then necessary to provide affordable housing under FHA mortgage limits in subsection 221(d)(3) of the National Housing Act (Control #1).**

Prior to each annual award, HUD provides information that is used to complete the Maximum Per-Unit Subsidy Worksheet. **The Community Development Manager, obtains the necessary information from the subrecipient's application and HUD to complete the Maximum Home Subsidy Worksheet that used to evaluate and determine the Maximum Per-Unit Subsidy (Control 2#).** The analysis verifies the project is within maximum subsidy limits since the minimum number of units can be compared with the total units in the project. Samantha then calculates the cost per unit versus how much in grant dollars is being invested to ensure it does not exceed the limits.

Identified Key Controls

1. The City has written procedures in place to ensure that prior to contract execution a Maximum Subsidy Calculation is performed and reviewed

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to ensure that federal assistance is not more than then necessary to provide affordable housing under FHA mortgage limits in subsection 221(d)(3) of the National Housing Act (Control #1).

2. The Community Development Manager, obtains the necessary information from the subrecipient's application and HUD to complete the Maximum Home Subsidy Worksheet that used to evaluate and determine the Maximum Per-Unit Subsidy (Control 2#).

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at <LOW>.

Internal Control Testing

1. The City has written procedures in place to ensure that prior to contract execution a Maximum Subsidy Calculation is performed and reviewed to ensure that federal assistance is not more than then necessary to provide affordable housing under FHA mortgage limits in subsection 221(d)(3) of the National Housing Act (Control #1).

We obtained the City's written procedures. See Maximum Per-Unit Subsidy - Testing tab 'City Written Procedures'. We reviewed the written procedures and noted that the procedures clearly outlines federal requirements for Maximum Per-Unit Subsidy. **We determined that this control is in place and effective.**

2. The Community Development Manager, obtains the necessary information from the subrecipient's application and HUD to complete the Maximum Home Subsidy Worksheet that used to evaluate and determine the Maximum Per-Unit Subsidy (Control 2#).

We inquired with Samantha Whitley, Community Development Manager, regarding Housing projects that are subject to the Maximum Per-Unit Subsidy requirement, these would be housing construction projects. Based on our inquiry and review of projects, four projects were identified and we determined to test 100% of the population. We performed testing of this key control in conjunction to our compliance testing. See Maximum Per-Unit Subsidy - Testing.

For our testing, we obtained the City's completed Maximum Per-Unit Subsidy Worksheet, the awarded subrecipient contract and HUD Maximum Per-Unit Subsidy limits for all HOME Participating Jurisdiction (PJ) in Washington State. We verified that the City obtained the necessary information to calculate the Maximum Per-Unit Subsidy and that the awarded amount did not exceed the FHA mortgage limits. **Based on our testing, we determined that this control is in place.**

Evaluation of Results:

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Did you identify any control deficiencies? **None Identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Final Control Risk Assessment

We assess final control risk at <LOW>.

Risk of Material Noncompliance

We assess the risk of material noncompliance at <LOW>.

Compliance Testing

We reviewed the compliance supplement for suggested audit procedures, suggested procedures includes the following:

- a. Review a sample of projects to verify that the HOME subsidy amounts are supported by the participating jurisdiction's records.
- b. Review participating jurisdiction records to verify that each housing project was evaluated in accordance with its guidelines and to ensure that the combination of federal assistance to the project is not any more than is the FHA mortgage limits in Subsection 221(d)(3) (i.e., 234) of the National Housing Act necessary to provide affordable housing.

We tested compliance of Maximum Per-Unit Subsidy and Underwriting Requirements following the above audit procedures. Our testing was performed in conjunction with our internal controls as documented above.

Based on our inquiry, four projects were identified and determined to test 100% of the population. We obtained the City's completed Maximum Per-Unit Subsidy Worksheet, the awarded subrecipient contract and HUD Maximum Per-Unit Subsidy limits for all HOME Participating Jurisdiction (PJ) in Washington State. We verified that the City obtained the necessary information to calculate the Maximum Per-Unit Subsidy and that the awarded amount did not exceed the FHA mortgage limits. Our testing is documented here. See [Maximum Per-Unit Subsidy - Testing](#)

Based on our testing, **we determined that the compliance requirement over Max. HOME per-unit subsidy and underwriting requirement were met, we noted no concerns.**

Evaluation of Results:

Did you identify any noncompliance? **None identified**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).

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4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: N 3. Drawdowns of HOME Funds

Prepared By: OT, 6/30/2022

Reviewed By: GTW, 9/1/2022

Record of Work Done:

Compliance Supplement:

Compliance Requirements:

The Integrated Disbursement and Information System (IDIS) is used both to collect information on compliance with program requirements and to disburse HOME funds to local jurisdictions (24 CFR section 92.502).

Audit Objectives:

Determine whether the drawdowns of HOME funds using IDIS (HOME payment certification amounts) are supported by local jurisdiction records.

Suggested Audit Procedures:

Verify that HOME payment certification amounts match the amount of the local jurisdiction's expenditures to support the drawdown request.

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at <LOW>.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

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Key Personnel

Samantha Whitley, Community Development Manager

Andrew Westlund, Financial Analyst

As new HOME projects are approved by the City Council and by HUD they are set up in IDIS by Samantha Whitley, Community Development Manager. Once all invoices are processed and reviewed by HOME staff, Andrew Westlund, Financial Analyst, logs into IDIS to generate a drawdown request using the IDIS project number. Once the drawdown request have been generated, Samantha Whitley, Community Development Manager, is notified and will log into IDIS to review and approve the drawdown request. Samantha Whitley, Community Development Manager, is the only one with access to approve a request, Patrick Quinton, Economic and Prosperity Housing Director, can be granted access as Samantha's back up, but Samantha has been the main approver sine she was hired on with the City.

IDIS does not allow the same person to create and approve a drawdown request.

Drawdowns are supported by invoice items submitted by the subrecipient, the Financial Analyst, reviews submitted expenditures for drawdown request eligibility ensuring that expenditures are allowable per the grant. **An 'All Transaction' report is ran to ensure that expenditures for the drawdown request period have been paid and that total expenditures agrees to submitted invoices, this is then used to generate the drawdown request (Control #1).**

Once the Financial Analyst has reviewed and prepared the IDIS drawdown request, the Community Development Manager, is notified and will review to ensure that the drawdown request agrees to supporting documentation and approved the drawdown request within IDIS, **both the Financial Analyst and Community Development Manager signs a cover sheet as evidence of their review of the supporting documentation for the drawdown request, this is supported by the subrecipient's submitted reimbursement request (invoices) and underlying accounting records (Control #2).**

Identified Key Controls

1. An 'All Transaction' report is ran to ensure that expenditures for the drawdown request period have been paid and that total expenditures agrees to submitted invoices, this is then used to generate the drawdown request (Control #1).
2. Both the Financial Analyst and Community Development Manager signs a cover sheet as evidence of their review of the supporting documentation for the drawdown request (Control #2).

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.

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2. Document the rationale for a LOW or HIGH risk assessment.

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at <LOW>.

Internal Control Testing

1. An 'All Transaction' report is ran to ensure that expenditures for the drawdown request period have been paid and that total expenditures agrees to submitted invoices, this is then used to generate the drawdown request (Control #1).

We performed an expenditure tie-out as part of our SEFA substantiation, we agreed each drawdown to actual expenditures incurred. For FY 2021, we noted 86 drawdowns were performed. We determined to perform a dual-purpose testing in conjunction to our compliance testing. Using the SA-Sampling spreadsheet, used a tolerable noncompliance rate of 10%, as this is the standard rate used for single audits, our assurance needed was set as HIGH for the purpose of our dual-purpose testing. Our sample population was determined to be 14 transactions, we reviewed for any significant items and noted none. For our testing, we obtained the IDIS drawdown request and tied it to expenditures based on project code, and dates of the activities and agreed the amounts to the drawdown request. Our testing is documented here SA Sampling - Drawdowns. **We determined that this control is in place.**

2. Both the Financial Analyst and Community Development Manager signs a cover sheet as evidence of their review of the supporting documentation for the drawdown request, this is supported by the subrecipient's submitted reimbursement request (invoices) and underlying accounting records (Control #2).

Using the same sample size as documented in Control testing #1, we used Workday to look up the "supplier invoice" associated to the IDIS drawdowns and saw that the cover sheet was signed and noted by Andrew as reviewed and also signed by Samantha Whitley, Community Development Manager. We noted that for a portion of the FY2021, Peggy Sheehan, prior Community Development Manager, signed the cover sheets. For each of the selected drawdowns, we also obtained and reviewed the subrecipient's submitted underlying documentations that supports their reimbursement request (invoice) that made up the drawdown amounts. Our testing is documented within SA Sampling - Drawdowns. **We determined that this control is place.**

Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Final Control Risk Assessment

We assess final control risk at <LOW>.

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Risk of Material Noncompliance

We assess the risk of material noncompliance at <LOW>.

Compliance Testing

Suggested Audit Procedures:

We verified that HOME payment certification amounts match the amount of the local jurisdiction's expenditures to support the drawdown requests. This was performed in conjunction to our internal control testing, as documented above.

For our testing of verifying payment certification amounts to the local jurisdiction's expenditures, we utilized the SA-Sampling spreadsheet to make a selection of drawdowns made during the FY 2021, and agreed the drawdown amounts to expenditures by tying it expenditures incurred using the "All Transactions" report. For each drawdown amounts, we identified the costs that made up of the draw amounts nothing that these were primary subrecipient's reimbursement requests (invoices), for these amounts, we then obtained the subrecipient's submitted reimbursement requests (invoices) and underlying accounting records and ensured that drawdown amounts were supported.

Our testing is documented here . **We determined that HOME payments certification amounts match the amount of the local jurisdiction's expenditures to support the drawdown request.**

Evaluation of Results:

Did you identify any noncompliance? **None identified**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.
2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: N 4. Housing Quality Standards

Prepared By: OT, 6/16/2022

Reviewed By: GTW, 9/1/2022

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Record of Work Done:

Compliance Supplement:

Compliance Requirements:

During the period of affordability (i.e., the period for which the nonfederal entity must maintain subsidized housing) for HOME assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than

- (a) every three years for projects containing one to four units,
- (b) every two years for projects containing five to 25 units, and
- (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.209(i), 92.251(f), and 92.504(d))

Audit Objectives:

Determine whether the grantee performs the required inspections to ensure that property standards are met.

Suggested Audit Procedures:

- a. Verify through a review of documentation that the nonfederal entity identifies those units on which housing quality inspections are due.
- b. Verify through a review of documentation that the nonfederal entity performs inspections of units and that any needed repairs are completed timely

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at <LOW>.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) . See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel

Samantha Whitley, Community Development Manager

Andrew Westlund, Financial Analyst

Craig Frantz, Rehabilitation Specialist/On-site Inspector

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Each sub-recipient contract contains a period of affordability clause that states that the City must perform on-site inspections of HOME-assisted rental housing no less than every three years to determine compliance with property standards un 24 CFR 92.251 (Control #1). The clause also indicates that a project is considered complete and the Period of Affordability started on the date the project meets Housing Quality Standards (HQS) before tenancy and at least annually.

When a project is completed, the units are inspected to ensure that HUD housing quality standards have been met, the project is also closed in IDIS and a certificate of occupancy is obtained initiating the Affordability start period. **The City utilizes the HQS Inspection check-list forms provided by HUD to ensure that all required inspections have been performed and meets requirement, the completed HQS Inspection forms are retained and kept with the in Subrecipients' (Agency's) file (Control #2).**

An internal "HQS Annual Inspection Log" is used to document and track inspections in chronological order, the inspection logs indicates the date of which the inspections are due, the date the inspection was performed and inspection/follow up notes (Control #3). It is the City's practice to perform annual inspections and when an inspection is due, Craig Frantz, Rehabilitation Specialist/On-site Inspector, Craig will perform the on-site inspections and logs his inspections within the 'Inspection Log'. If additional repairs or inspections are needed it is noted on the logs and the HUD Inspection Check-List and the HOME grant staff are notified and follows up is performed with the Subrecipients.

NOTE:

We noted that in FY 2020 and 2021 HUD had waived this program requirement due to the COVID-19 pandemic, however we noted that the City still performed inspections. Furthermore, the compliance supplement states that statutory suspensions and regulatory wavier for the HOME program are provided, the participating jurisdictions must request these suspensions/wavier in order to implement them. Because the City continued to perform on-site inspections, we have determined that this requirement is applicable and will test inspections that were due in and performed in FY 2021.

Identified Key Controls

1. Each sub-recipient contract contains a period of affordability clause that states that the City must perform on-site inspections of HOME-assisted rental housing no less than every three years to determine compliance with property standards un 24 CFR 92.251 (Control #1).
2. The City utilizes the HQS Inspection check-list forms provided by HUD to ensure that all required inspections have been performed and meets requirement, the completed HQS Inspection forms are retained and kept with the in Subrecipients' (Agency's) file (Control #2).
3. An internal "HQS Annual Inspection Log" is used to document and track inspections in chronological order, the inspection logs indicates the date of which the inspections are due, the date the inspection was performed and inspection/follow up notes (Control #3).

Evaluation of Results:

Did you identify any control deficiencies? **None identified.**

City of Vancouver

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **<LOW>**.

Internal Control Testing

1. Each sub-recipient contract contains a period of affordability clause that states that the City must perform on-site inspections of HOME-assisted rental housing no less than every three years to determine compliance with property standards un 24 CFR 92.251 (Control #1).

We noted that within the FY 2021, the City awarded the contract to four subrecipients, we obtained the contracts for all four subrecipients and noted that an inspections clause was included in the contract. **We determined that this control is in place and effective.**

2. The City utilizes the HQS Inspection check-list forms provided by HUD to ensure that all required inspections have been performed and meets requirement, the completed HQS Inspection forms are retained and kept with the in Subrecipients' (Agency's) file (Control #2).

We obtained the inspection logs which includes a list of HOME programs and its associated properties/projects, we noted eight properties that were subject to this program requirement, we also noted that one property, Mecry Housing, is under construction, while indicated as a HOME grant project/property, inspection requirements are not yet applicable.

We performed a dual-purpose testing in conjunction with our compliance testing; being that there were eight properties and a total of 17 units, we determined to test 100% of the population. For our testing we obtained the HUD Inspection Check-list and ensured that an inspection was performed and completed. Our testing is documented here [Housing Quality Standards- Testing](#). Based on our testing, we determined that HUD HQS Inspection Check-lists are used to perform and ensure that all required inspections have been completed. **This control is in place and effective.**

3. An internal "HQS Annual Inspection Log" is used to document and track inspections in chronological order, the inspection logs indicates the date of which the inspections are due the date the inspection was performed and inspection/follow up notes (Control #3).

We obtained the inspection logs in which we used to identify all HOME programs where an inspection was performed in during the period. We reviewed the inspection log and noted that each listed properties had a documented prior last inspection date, the next inspection due dates and follow up/notes associated to the properties. From the log and property listing, we noted eight HOME projects where this program requirement would be applicable and one that is under construction, thus inspections has not yet occurred.

We performed a dual-purpose testing in conjunction with our compliance testing; being that there were eight properties and a total of 17 units, we determined to test 100% of the population.

For our testing, we reviewed the inspection log and ensured that the City identified units and properties for which inspections were due. Our testing is documented here [Housing Quality Standards- Testing](#)

Based on our review, **we determined that this control is in place and effective.**

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Evaluation of Results:

Did you identify any control deficiencies? **None identified**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Final Control Risk Assessment

We assess final control risk at **<LOW>**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **<LOW>**.

Compliance Testing

For the below compliance requirements, we performed a dual-purpose testing in conjunction to our internal control testing.

- a. Verify through a review of documentation that the nonfederal entity identifies those units on which housing quality inspections are due.
- b. Verify through a review of documentation that the nonfederal entity performs inspections of units and that any needed repairs are completed timely

We obtained the inspection logs which includes a list of HOME programs and its associated properties/projects, we noted eight properties that were subject to this program requirement. We noted a total of 17 units from the eight properties and determined to test 100% of the population.

Our testing is documented here [Housing Quality Standards- Testing](#)

For our testing, we obtained the City's documentation that identifies those units on which housing quality inspections were due, this was performed by obtaining the City's inspection logs and reviewing the logs for noted properties, its associated units, the last inspection date and the next inspection due date. We then obtained the completed inspection forms, noting that inspections were performed using the HUD HQS Inspection Check-list, the check-list indicates the inspection results and any needed repairs with notes of when the repairs were completed and follow performed regarding the repairs.

From our review of the City's documentations, **we determined that required inspections and repairs were performed timely, we noted no exceptions.**

Evaluation of Results:

Did you identify any noncompliance? **None identified**

If so, **you must:**

1. Determine and document the magnitude of the noncompliance on the program as a whole.

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2. Document the reason for the noncompliance.
3. Consider whether additional testing is needed to provide reasonable assurance of detecting material noncompliance (e.g. is the risk of material noncompliance increased for the activities or costs that you did not test?).
4. Reassess the final control risk. Generally, noncompliance is the result of a control deficiency; therefore, it is necessary to reconsider the effectiveness of the internal controls.

G.4.PRG - FY21 Home Grant 14.239

Procedure Step: REQUIRED - Program Summary
Prepared By: OT, 6/23/2022
Reviewed By: NAH, 8/29/2022

Record of Work Done:

We summarized the results of the major program audit: Major Federal Program - Local teams

H.1.PRG - GAAP

Procedure Step: Entity Operations - GAAP
Prepared By: NAH, 9/16/2022
Reviewed By: GTW, 10/28/2022

Record of Work Done:

We gained an understanding of the government's operations based on inquiry of management, observation and inspection during the course of the current and prior audits, along with review of the planning guide and other procedures performed as part of the planning steps. We noted the following key elements regarding the government and its environment in addition to our general understanding documented in the planning guide.

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REPORTING ENTITY AND RELATED ORGANIZATIONS

We have identified **the following** component units, joint ventures, joint operations or jointly governed organizations which may need to be evaluated for reporting and disclosure

Component Units.

1. Vancouver Downtown Redevelopment Authority (DRA)- Consists of the Hilton Hotel project which is currently being audited by Moss Adams. DRA has relationships with Vancouver PFD and the Clark County PFD.
2. Vancouver Public Facility District (PFD)
3. City Center Redevelopment Authority (CCRA)- [no activity occurred during 2020](#)
4. Culture, Arts and Heritage Commission- created in July 2019 ([discretely presented component unit as determined by our evaluation at {Culture, Art & Heritage Commission Reporting Entity Determination}](#)). There was no activity with the Commission in 2020.
5. Vancouver Transportation Benefit District ([this is a blended component unit](#))

CRESA changed its formation in FY17 and would no longer be a joint venture with equity interest by the participating governments. The City removed the equity interest and no longer reports the joint venture as of FY17.

Jointly Governed Organization.

1. Council for the Homeless- the City has limited transactions with this entity. The majority of the transactions are related to grant funding which the entity applies for from the City.

In prior audits, we had communicated to the City that they should evaluate their relationship with the Council for the Homeless to ensure proper reporting/disclosure as we had reviewed the interlocal agreement and bylaws for the entity and the relationship appeared to be a joint venture between the City, County, and VHA. Our rationale is documented within the following audit "07Vancouver-AC-14-SA14" at attachment D.11.22. The City's position is that they are not operating in a way in which there is any interest between the City and Council. The City only provides funding to the Council as a grant subrecipient and the City asserts the relationship between the City and Council does not create an ongoing financial interest or financial responsibility. As there were no financial transactions, other than grant related payments, between the City and the Council and because the City added a note to disclose this arrangement as a jointly governed organization (which is similar to a joint venture), we have decided to not take issue with this treatment of the reporting.

We have identified **the following** related parties in addition to entities listed above and not including government officials, executive management and their immediate families

- Vancouver Housing Authority: Per an evaluation of the City's relationship with the Vancouver Housing Authority documented at , we determined that VHA is a related organization to the City. We note that the City has not included a note disclosure for this relationship in

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its Notes in the past. Per GASB 14, paragraph 68, "organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. The primary government should disclose in the notes to the financial statements the nature of its accountability for related organizations." **There is a risk that the City's notes are not complete and do not include a disclosure for the City's relationship with VHA.**

KEY OPERATIONAL INFORMATION

We noted the following key information about the government's operations and environment in addition to our general understanding documented in the planning guide:

- **Public Safety** - Public Safety operations include Police protection, fire safety and prevention, emergency medical services, and disaster and emergency planning.
- **Public Utilities** - The City provides water, sewer, storm water management/drainage, garbage and recycling services to City residents. Garbage/recycling service is contracted out to Waste Connections and the wastewater treatment plant is operated through a contract with Operations Management International Inc. beginning in 2016. Prior to 2016, the plant was operated by Veolia Water North America West.
- **Community Affairs** - Clark-Vancouver Television (CVTV). CVTV Channel 23 & 21 are the government cable access channels coordinated by the City of Vancouver/Clark County Cable TV Office. The purpose of the channels are to encourage and promote openness of City government and to allow the public access to participate in the City government.
- **Transportation and Parking** - The City operates Pearson Field Airport, which is the only airport in Vancouver. The City also administers Traffic Safety and parking services
- **Parks and Recreation** - The City maintains parkland and trails throughout the City area. The City also operates facilities including pools, a tennis/racquetball center, and community centers (Marshall, Luepke and Firstenburg). The City began contracting operations of the Tennis Center to USTA in September 2018. The City parks administration maintains and operates the City's 2 Cemeteries.
 - **Tennis center** - The City contracts with USTA to operate the tennis center, Tennis Ctr USTAPNW Management agreement 2018 signed. The City reports all operational revenue and expenditures for the center as part of their financial statements.

Our expectation based on the service contract and reported activity is that the City is ultimately responsible for the monitoring controls over Tennis Center operations; including cash receipting, inventory, etc. Additionally, Tennis Center revenue and expense activity should also be considered as part of City operations when auditing. The city does not have tennis center expenses within workday as they are managed and recorded by USTA. Auditors should ensure we are obtaining USTA expenses and being considered in accountability and financial statement expense testing when applicable to the risk/balance.

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- **Other Services** - Other services provided by the City are animal protection and control, City code enforcement and American Disabilities Program (ADP). The ADP's goal is to provide equal access to all City-sponsored services, programs, and activities for citizens and employees with disabilities. Equal employment opportunity will be provided for all qualified individuals with a disability as defined by the Americans with Disabilities Act (ADA). City has significant resources in water/sewer fund which is a combined utility.
- **Museum** - The City owns the Clark County Historical Museum building which is rented for \$1 per year to the Clark County Historical Society which is a 501(C)3 non-profit organization governed by a Board of Trustees.
- The City has the following major facilities:
 - City Hall/Columbian Building- City purchased the Columbian Building during 2010 in order to consolidate various City departments into one building and departments were relocated during 2011.
 - Operations Centers - Main facility is on Fourth Plain, East Operations Center is very small
 - Parks Centers - Marshall, Luepke, Parsley, Firstenburg, and Vancouver Tennis and Racquetball Center
 - Marine Park Engineering/Water Resource education center
 - Police - administration plus two precincts (central and east) and an evidence building
 - Marshall House
 - Fire stations
 - Two parking garages
- City faces financial pressures in its general fund which began with limitation on the property taxes and vehicle registration fees. In 2016 the City was projecting a large, \$10.2 million budget shortfall by 2020 based on the trend of revenues and expenditure changes primarily related to street maintenance. The City has recently addressed this by increasing utility taxes and the creation a Transportation Benefit District to raise revenue through additional license fees in 2016.
- A majority of the City's revenues are derived from taxes (property, sales and use, utility, and excise) and charges for services - utility revenue (water/sewer)
- In FY14 we evaluated the City/Council Cable TV and SWWR SWAT funds and determined that they are part of the City's operations and not a related party.&

Use of Service Organizations:

We identified no service organizations relevant to the government's internal controls, which may need to be evaluated further if they are determined to have a key control

SPECIAL COMPLIANCE REQUIREMENTS AND POLICIES

City of Vancouver

We noted no special compliance requirements or information in addition to our general understanding documented in the planning guide

SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

We noted the following key information about the government's accounting and reporting in addition to our general understanding documented in the planning guide:

- The government keeps accounting records and reports in accordance with GAAP.
- The City is self-insured for workers compensation- the City contracts with Gallagher Bassett (third party administrator) for claims handling. (Risk: self-insurance needs to be evaluated every 2 years. Additionally, the City should be monitoring the claims handling process performed by the third party administrator).
- The City is self-insured for property claims- an actuarial analysis is performed to support the claims liability.
- The City offers joint self-insurance with Vancouver Housing Authority for health and welfare to employees. In the FY16 audit, we performed research to determine whether the City was correct in its determination that RSI was not required for its self-insurance health and welfare risk pool in accordance with GASB 10. We submitted a HelpDesk #7115 which agreed with the City's determination that RSI is not required.
- The City has a combined utility fund of water/sewer/storm water. We evaluated the use of the revenues in this fund to fund SCIP loans during the 2008 audit and received the legal analysis from the City. Additionally in the 2016 audit we considered the reporting treatment of presenting all 3 funds as a single enterprise activity and noted no concerns.
- **Segment Reporting** - In the FY16 audit, we reviewed the 2004 and 2005 Revenue Bond Agreements for information on whether segment reporting was applicable for the Water/Sewer fund. We noted the following in Section 4.1 Priority of payments. A special fund of the City known as the "Water and Sewer Revenue Fund" has heretofore been established by Section 4 of Ordinance No. M-93 of the City, into which shall be deposited all Revenues as collected. Moneys in the Revenue Fund shall be trust funds and shall be held separate and apart from all other funds and accounts of the City. Revenues are defined in indenture, "Revenues" or "Gross Revenues" means all income, receipts and revenues received by the City through the ownership or operation of the System, and all commodities, services and facilities sold, furnished or supplied by the City through the ownership or operation of the System, together with the proceeds received by the City directly or indirectly from the sale, lease or other disposition of any of the properties or facilities of the System, together with the investment income earned on moneys held in any fund or account of the City including the Bond Fund, in connection with the ownership and operation of the System, and any contributions from other funds of the City or other sources, including individual and government agencies, but excluding investment income restricted to a particular purpose inconsistent with its use for the payment of debt service generally, in connection with the ownership and operation of the System. The revenues appear to be defined and likely only allow revenues for the systems in which the bonds were associated. The associated system is also defined in the indenture, "System" means the existing sanitary sewage collection and treatment system of the City, together with the existing water supply and distribution system and the existing storm drainage facilities of the City, as such systems now exist and as they may later be added to, extended and improved, for as long as any Bonds remain outstanding. The City Council may, in its discretion, thereafter determine by ordinance to include facilities for the collection, processing of and disposal of solid waste as a part of the System. Based on this information, it does not

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appear that water and sewer revenues need to be separated because the revenues and expenses accounted for in the water/sewer fund appear allowable. Therefore, it does not appear that segment reporting would be triggered due to this bond.

Accounting Estimates:

We identified **the following** significant accounting estimates

- Worker's compensation claims liability- the City contracts with an actuary to perform this calculation therefore, this estimate is not controlled by management.
- Property claims liability- the City contracts with an actuary to perform this calculation therefore, this estimate is not controlled by management.
- OPEB (GASB 75)- the City contracts with an actuary to perform this calculation therefore, this estimate is not controlled by management.
- Useful lives of capital assets within the Parking Fund. The Parking Fund consists of 2 parking garages that are material to the fund. This makes the assumption of useful lives over these assets highly sensitive.

AUDITOR NOTES, CLIENT PREFERENCES, AND OTHER INFORMATION RELEVANT FOR CURRENT AND FUTURE AUDITS:

Long-term Debt - In 2019 the City switched from amortizing debt premiums/discounts and deferred charges on refunding from straight-line basis to using its Sympro investment software to calculate. As a result, our LT debt spreadsheet can not recalculate these amounts as it is designed to test straight line calculations. The software uses actual instead of the straight-line estimate, as bond have multiple issuances and maturities throughout the life called CUSIPs; Sympro calculates off of each CUSIP.

H.1.PRG - GAAP

Procedure Step: Entity-Wide COSO Evaluation

Prepared By: NAH, 1/13/2022

Reviewed By: GTW, 7/7/2022

Record of Work Done.:

We gained an understanding of the government's control environment, risk assessment, information/communications and monitoring as relevant to our audits based on inquiry of management, observation and inspection during the course of the current and previous audits, prior audit results and procedures performed as part of planning steps.

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Control Environment

We updated our understanding of the actions, policies, and procedures that establish a culture and reflect the overall attitudes of management and the governing body about internal control and noted the following:

- Natasha Ramras was promoted to the CFO position in early 2018, from her Budget Manager position.
- Accounting Manager position was turned over in August of 2021. The city hired a temporary accounting manager in November 2021 who became a permanent hire in April 2022. The accounting department also saw several of their senior accountants retire/term at the end of 2021. With the number of staff turnover in those key positions there is a risk that normal financial procedures and controls are not being followed and with the remaining staff's limited experience there is a risk complex areas such as government-wide reconciliation will be done incorrectly or not have the same attention. Additionally, we noted in fiscal years 2019 and 2020 that the City struggled to have a comprehensive review of the financial statements, this risk will also exist in 2021 with their limited staff and new accounting manager.
- Jordan Sherman, was hired as the internal auditor in December 2019. During FY 2020 Jordan spent the majority of his time as a fill-in accountant and has not produced any internal audit reports.
- There has been significant turnover in key accounting positions over the last two years including several accountants. As a result, the accounting staff who have been involved in recording entries throughout the year and during financial statement preparation have had limited experience at the City.
- The City converted from Oracle to the new Workday system during FY19.
- There appears to be considerable involvement by City Council, as evidenced through inquiry and our review of the minutes.
- Management emphasizes good internal controls, as indicated by conversations with management and administration personnel.
- The City has a code of ethics that is documented within the City's policy manual.
- The City has a finance committee comprised of the Mayor and other key City officials.

Risk Assessment

We updated our understanding of management's identification, assessment and response to relevant risks and noted the following:

- Risk assessment is done formally as described in Risk Assessment Inquiry Questions
- Jordan Sherman, Internal Auditor (December 2019 - present) annually performed a risk assessment for areas of accountability and federal grant compliance. Based on a documented risk assessment, the Internal Auditor will select planned areas to audit based on priority of the risk level. There are not current policies on timing of work products for internal audit, but the Internal Auditor is working on getting policies established. An internal audit report is prepared and presented to the City Manager.

Through inquiry with Jordan Sherman we identified the following:

1. Jordan Sherman and the City has been evaluating their capital asset process, changing how the system gets information and is used on the financial statements. With the purpose of preparing more accurate financials.

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Since being hired as Internal Auditor, Jordan has not documented a risk assessment of City activity or planned future audit areas, other than those described above, that are currently being reviewed. The previous internal auditor had a risk assessment spreadsheet that was used to evaluate city activity based on inherent and control risk, and whether they had been reviewed by our office. Jordan stated that he plans to create/utilize something like this in the future.

Information and Communications

We updated our understanding of communication processes and accounting systems and noted the following:

- Update the Key Software Applications spreadsheet and consider adequacy of accounting systems to meet information needs.
- The City publishes all policies to staff on the City's intranet website. This helps facilitate communication to City personnel.
- The organizational structure does appear to facilitate communication and resolution of issues. The City has a hierarchical and vertical organizational structure which starts with the City Council and City Manager who oversees about 10 departmental directors.

Monitoring

We updated our understanding of management's processes to evaluate the adequacy and effectiveness of the government's own internal controls and noted the following:

- The City performs independent bank reconciliations on a regular basis- this is a key monitoring control for financial reporting.
- The City's size and available resources increase inherent segregation of duties, oversight, and monitoring of management.
- The CFO and Accounting Manager monitor all financial processes and staff to ensure procedures are followed and tasks are completed.

Control Activities

Control activities are the policies and procedures that help ensure necessary actions are taken to address control objectives. Relevant control activities are identified and evaluated separately for each system.

H.1.PRG - GAAP

Procedure Step: FS Preparation

Prepared By: NAH, 9/16/2022

Reviewed By: GTW, 11/3/2022

Record of Work Done:

1. Gain an Understanding of Internal Controls

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Key Personnel:

- Cyndi Turner, Accounting Manager
- LaVonne Steiner-Weigel, Accountant
- Anna Diaz, Accountant B
- Joshua Francis, Accountant A (moved to procurement department at the end of 2021)
- Christopher Jenks, Accounting A (hired 2022)
- Erin Jaconson, Accountant C (hired 2022)

Journal entries/Period-End Adjustments:

Journal entries, including year-end adjustments, are prepared by the accounting and treasury staff and then reviewed by a second, independent accounting staff member. **(Key Control #1)** There are operating journal entries which are automatically created by the system based on other transactions entries made into Workday (i.e. creating and approving supplier invoice or customer receipt). Then there are manual journal entries, made for adjustments, reclassifications, corrections, or transfers. These entries are manually created by accounting staff and the supporting documentation is attached to the JE in Workday. Treasury and accounting staff also have the ability to post JE's. We note that there are FYE JV's that are made to account for the following that are only applicable to FYE Financial Statement preparation process:

- GASB 33 adjustments
- GASB 68 adjustments
- Deferred Revenue Adjustments/Revenues Collected in Advance (Capital improvement fund moving Unearned to Charges for Service)
- Allowance for doubtful accounts, which are done quarterly
- Prior Period Adjustments, which are done at year end and during the year as they come up
- Expenditure Accruals
- Compensated Leave
- Revenue within the recognition period (in 2020, utility revenue was recognized in a PPA in future audits that will be included here)
- Special items which can vary year by year depending on activities of the City, such as annexation of capital assets from the County
- Due from other funds

Prior Period Adjustment:

The City sold a portion of the Burton property to the Evergreen School District through a boundary line adjustment. Upon selling the property Micah Elliott, Accountant and Michael Conjugacion, Treasury discovered that the City had actually never recorded the property on the books when the City received it as a donated asset from the County back in 2007. Once discovered the City reached out to the County to determine what the value of the property was back in 2007 when the City received the property as a donation. The County provided the City with the Real Estate Excise Tax Affidavit which shows the assessed value at the time of the donation. The City used the quitclaim deed to demonstrate it was their property and then used the Real Estate Excise Tax Affidavit to value/support the prior period adjustment amount rounded to the nearest thousand (occurrence, valuation) **(Key Control #10)**.

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Journal entries - Intergovernmental payments

Intergovernmental payments for utility tax are transferred to the Water/Sewer fund monthly via JE. The Accounting Manager, uses a spreadsheet to calculate the amount based on revenues and the approved utility tax rate per Vancouver Municipal Code and generates the JE (Key Control #8).

Journal entries - Unearned Revenues

The City reports unearned revenue due to payments from Fire District #5 for fire station construction. The City reports the amount as unearned revenue and then transfers amounts spent during the year to Charges for Services at year end. Cyndi Turner, Accounting Manager, utilizes a spreadsheet which she documents expenses that directly relate to the Fire station construction. Each entry in the spreadsheet is supported by an invoice or payroll charge and that is used to create the journal entry moving Unearned Revenue to Charges for Services (Occurrence) (Key Control #9).

Journal entries - Unearned Revenues (ARPA)

The City recorded the Department of Treasury award amount for 2021 as a Grant Receivable. To ensure the City reported the full unearned amount the City recorded the deposit of the award against the receivable (completeness) (**Key control #11**) prior to reducing it by the amount of expenditures that occurred in the period that directly related to the grant.

Preparation of Statements & Notes:

The City's Financial Management Services Department (FMS) accumulates the financial activity and prepares the City's financial statements that report the results of those activities.

The Accounting Manager and Accountants assist with maintaining the general ledger and preparing the financial reports throughout the year. The accountants each have assignment by fund type. Jordan Sherman, Internal Auditor performed evaluations on prior audit aggregation items and assists in review and analysis as needed.

At year end the City has a closing schedule to ensure all closing activities occur and in the right order. Accounting staff are assigned closing activities according to their funds. Weekly meetings are held to discuss where they are in the year-end closing process to ensure timely completion. Once the activity has been completed they sign off on the task. The last review of the year includes all 12 months of activity plus the adjustment period which remains open until the conclusion of the audit. In this review they tie financial statement balances to the GL and trend object code detail. The review results, (prior year and budget) are documented electronically and significant fluctuations from the prior year are researched, explained, and documented in a "Fund Review" prepared by legal presentation. The Accounting Manager, reviewed the other accountant's fund reviews and followed up if she had questions or comments on any of the information (Key Control #3). Fund reviews are prepared by legal presentation *all funds combined to those which are presented in the financials i.e. PIF funds combined.

Balance sheet items are tied out during the preparation of the notes when supporting documentation is reviewed and compiled in the i-Drive.

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The Accounting Manager performs the government-wide reconciliation entries moving the modified accrual statements to GAAP. Cyndi utilized the reconciliation worksheet that was used in the prior year to perform these adjustments. **During our review we were unable to determine if all required entries are being made in accordance with the GAAFR (control weakness).**

As part of the closing process, the City considers prior year's GFOA comments and any new accounting standards to ensure they are properly reflected in the financial statements. When new GASBs are issued, the City ensures that staff are adequately trained by reading the GASBs and attending trainings. The Accounting Manager uses the GASB website to evaluate the new GASBs and determine if they are applicable (Key Control #5).

During the preparation process, statements and the GL are monitored regularly by the Accounting Manager who looks for unusual events or transactions. If unusual or significant events occurred during the reporting year, fund accountants and the Accounting Manager consult materials such as the GAFFR or BARS manual in order to determine the correct accounting treatment for the event.

The City used Workday for its accounting applications and financial reporting. Workday also has modules for payables, payroll, receivables, and fixed assets that all feed into the GL. There are other significant systems that track financial activity primarily related to revenues and receivables that directly interface with Workday such as (Hansen - utility/building and planning, ActiveNet - parks, and T2 for Parking).

The City prepares folders in i-drive that are created to support the notes to the financial statements (Key Control #4). BARS manual templates are used to create the Notes. Carrie Lewellen prepares the cash and investment and long-term debt note disclosures. The rest are a combination of the Accounting Manager, the accountants, and the consultant. All numbers are backed up by the supporting documents which are kept in folders by note number/letter.

For the 2019 statements, the City switched to using The Reporting Solution (TRS) to generate the financial statements. TRS generate the financial statements based on the City's trial balance (Control #2). The City sends their trial balance to TRS who uploads it into the system. The City is only allowed a certain number of times to send TRS a trial balance, and the City makes adjustments in TRS if there are changes made to their GL after the upload of the trial balance. Off-book adjustments and reclassifications are identified as such in TRS and the City has support for these adjustments. The Accounting Manager, looked through every single account that had been presented in the trial balance and moved things as needed so they mapped to the correct financial statement lines. The City exports a "leadsheet" from TRS that maps balances to the trial balance coding and also identifies off-book entries. The City prepares the cash flow statement outside of TRS as the mapping was not complete and then keys in the amounts.

The Accounting Manager reviews the ACFR, except as noted, to ensure:

- Prior year balances agree
- Ending fund balances agree to the GL, performed by each accountant responsible for their fund

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- Assets, liabilities, revenues, and expenses less the adjustments tie to the City's fund summary/review report
- Assets + liabilities = fund balance and net assets where applicable
- Net assets are calculated properly
- Balances agree to note detail

Natasha Ramras, Finance Director, is then given the financial statements and Notes to perform a high level final review before the financial statements are finalized and ready for audit.

Preparation of RSI, SI and OI:

The MD&A was prepared by a mix of the Accounting Manager and fund accountants. It is then reviewed by Natasha Ramras, Financial and Management Services Director. The RSI is prepared by the fund accountants and reviewed by the Accounting Manager. The Statistical section was prepared by Josh Francis, Accountant who gathered data from the relevant departments to update the information. The financial information in the statistical section is linked to statements and is automatically generated.

Net Investment in Capital Assets Calculation:

The City has developed a spreadsheet which accumulates the financial data necessary to calculate Net Investment in Capital Assets, and the restricted and unrestricted balances for government-wide/enterprise funds. (**Key Control #6**).

Fund Balance Classification:

The City developed a classification tool it uses to determine and support the classification of governmental fund balances (**Key Control #7**).

Segment Reporting:

Not applicable.

Key Controls Identified:

- 1) Journal vouchers and their supporting documents are reviewed and approved by someone other than the accounting staff that created the JV (segregation of duties between preparing and posting the JV). For entries that are non-routine, such as prior period adjustments, additional documentation is maintained and relevant personnel are consulted to further ensure these adjustments are accurate and complete.
- 2) Financial statements are built from the trial balance general ledger using TRS.
- 3) City accounting staff prepare fund reviews in which they tie financial statement balances to the GL and trend object code detail of the funds and follow up on significant or unusual fluctuations. Inquiry and supporting documentation is attached to the fund reviews to support the large fluctuations.
- 4) Accounting staff prepare a Notes folder in the I-Drive to tie out amounts reported to the GL and other supporting documents.
- 5) The Accounting Manager used the GASB website to evaluate new GASBs to determine if they are applicable.
- 6) The City accounting staff calculate Net Investment in Capital Assets using a spreadsheet that was developed based on the BARS manual

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description of the NICA calculation (Valuation).

7) The City accounting staff use a Fund Balance Classification Tool spreadsheet to evaluate and support its classification of governmental fund balances (Classification).

8) The City accounting staff use a Utility Revenue spreadsheet to calculate intergovernmental payments for utility tax prior to creating the JE.

9) The Accounting Manager, utilizes a spreadsheet which she documents expenses that directly relate to the Fire station construction. Each entry in the spreadsheet is supported by an invoice or payroll charge and that is used to create the journal entry moving Unearned Revenue to Charges for Services (Occurrence, valuation).

10) The City recorded the prior period adjustment using the quitclaim deed and Real Estate Excise Tax Affidavit received from the County to ensure the prior period adjustment (occurrence, valuation)

11) The City utilized the Department of Treasury award and bank deposit to ensure the full grant was reported as unearned revenue (completeness).

2. Confirm Understanding

1) Journal vouchers and their supporting documents are reviewed and approved by someone other than the accounting staff that created the JV (segregation of duties between preparing and posting the JV). For entries that are non-routine, such as prior period adjustments, additional documentation is maintained and relevant personnel are consulted to further ensure these adjustments are accurate and complete.

We reviewed a selection of year-end adjusting entries within . We found that supporting documentation was attached to the manual journal entries and that each journal entry was reviewed and posted by a different accountant than the one that prepared the journal entry.

Within this process, the audit also identified a journal entry that recorded unearned revenue as revenue overstating the Parking fund. This was a material error.

2) Financial statements are built from the trial balance general ledger using TRS.

We were provided access to TRS and noted that the City's generated statements were based on GL fund and account codes. The Accounting Manager, also provided us the "leadsheet" spreadsheet she used to review the mapping of the Trial Balance account codes to financial statement line items.

The City can also create offbook adjustments in TRS, we identified an offbook adjustment that was not adequately reviewed and resulted in a material error within the Parks Impact Fee fund.

3) City accounting staff prepare fund reviews in which they tie financial statement balances to the GL and trend object code detail of the funds and follow up on significant or unusual fluctuations. Inquiry and supporting documentation is attached to the fund reviews to support the large fluctuations.

*We obtained each fund review from the Accounting Manager, we noted that revenues, expenses, and the balance sheet had been tied to the statements. The accountants also performed an analysis and comparison of trends from prior years and left comments within the fund reviews. The fund reviews are reviewed by the Accounting Manager. Any fund reviews done by the Accounting Manager are reviewed by an accountant. Based on our review of the fund reviews prepared by the City, *it appears the control is in place.**

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4) Accounting staff prepare a Notes folder in the I-Drive to tie out amounts reported to the GL and other supporting documents.

Through screenshare we reviewed the City's 2020 ACFR Creation Notes I-Drive folder. Within the City's notes folder, we were able to see where they had tied information reported within the notes to underlying accounting records and support. In addition we obtained the supporting workpapers in the folder to be used in our review of the Notes. *It appears the controls are in place.*

5) The Accounting Manager used the GASB website to evaluate new GASBs to determine if they are applicable.

Cyndi Turner, Accounting Manager, walked us through the process for evaluating new GASBs, including reviewing the GASB pronouncements and implementation guides from the GASB website, SAO resources, etc. She provided us with her analysis for GASBs 88 on reporting direct borrowing (and other applicable debt). Cyndi identified the City is expected to have direct borrowings in 2021 and is aware of the additional disclosures requirements needed for implementation. *It appears the control is in place.*

6) The City accounting staff calculate Net Investment in Capital Assets using a spreadsheet that was developed based on the BARS manual description of the NICA calculation (Valuation).

We reviewed the NICA calculation spreadsheet used by the City and found that it was calculating NICA for the enterprise/proprietary funds based on trial balance data of capital assets, depreciation, and related debt. **It appears the control is in place.**

We noted an error in the City's calculation, while they were using the spreadsheet which correctly instructed the City to include internal service funds capital asset activity the Accounting Manager subtracted the activity instead. We noted this caused an error of \$23,351,956 in classification of fund balance. Additionally we note Govt Activities has a materiality threshold of \$130 million on the balance sheet. We evaluated all errors within the FS Preparation per below.

7) The City accounting staff use a Fund Balance Classification Tool spreadsheet to evaluate and support its classification of governmental fund balances (Classification).

We obtained the fund balance classification tools prepared by the accountants. We found that there were tabs completed for each major and non-major governmental fund to determine fund balance classification. Amounts agreed to the financial statements and we noted there were comments supporting the City's determination of classification for each revenue stream. Additionally, for the Street fund's restricted fund balance that we tested, an explanation was provided with the applicable RCW code to demonstrate the purpose for the fund balance being classified as it is. **It appears the control is in place.**

Although the fund did receive restricted funds they were spent on the activity in the year which resulted in the error. We analyzed the error and determined it was not significant/material to the fund.

8) The City accounting staff use a Utility Revenue spreadsheet to calculate intergovernmental payments for utility tax prior to creating the JE.

We obtained the Utility Revenue spreadsheet prepared by the accounting staff. We noted that the spreadsheet included a utility revenue reports and that the correct tax rate was used per the Vancouver Municipal Code. We noted that amounts agreed to the financial statements. *It appears the control is in place.*

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9) The Accounting Manager, utilizes a spreadsheet which she documents expenses that directly relate to the Fire station construction. Each entry in the spreadsheet is supported by an invoice or payroll charge and that is used to create the journal entry moving Unearned Revenue to Charges for Services (Occurrence, valuation). [We obtained the spreadsheet attached to the journal entry and reviewed invoice SINV-37372 for \\$545,479 and determined it occurred in the period and reported the proper amount for Fire 5 expense. Additionally we noted that the amount moved from Unearned Revenue to Charges for Services in the journal entry agreed to the amount expended per the spreadsheet. It appears the control is in place.](#)

10) The City recorded the prior period adjustment using the quit claim deed and Real Estate Excise Tax Affidavit received from the County to ensure the prior period adjustment (occurrence, valuation). [We obtained a copy of the affidavit which is dated 12/14/07 and shows an assessed value of \\$1,295,200. The City rounded the adjustment to the nearest 1,000 and booked the adjustment at \\$1,295,000. It appears the control is in place.](#)

11) The City utilized the Department of Treasury award and bank deposit to ensure the full grant was reported as unearned revenue (completeness). [We reviewed the amount recorded for the Grant Award and unearned Revenue through JE-00018047. We confirmed the journal reported the full amount as compared to the Metropolitan Cities distribution from Treasury \(treasury.gov\)](#)

Control Weaknesses Identified:

As identified above we noted presentation and financial errors within our testing were caused by insufficient final review of TRS adjustments, financial statements and supporting spreadsheet tools. Additionally, in 2020 the City updated their process for preparing the government-wide reconciliations; in 2020 and in 2021 the City was unable to demonstrate that all required entries were made, correctly.

We also identified a year-end accrual journal entry for revenues collected in advance related to permit revenues that was done incorrectly. The City double-counted revenue by crediting the Rents and Leases ledger account 362000, rather than debiting it to move the revenue to 2022. This journal entry was for \$150,175, resulting in an overstatement of revenue by \$300,350. We reviewed support for the journal entry, and determined that the City calculated the amount of revenues collected in advance correctly. We have determined that this error is an accounting error. We tested this in our journal entry testing as part of management override of controls, here: [JE Testing](#)

We determined the accumulative effect of these errors is not significant nor material however we identified material errors in other city controls and we evaluated all error in aggregation. We documented our determination here, [LOR Summary](#)

We made the following recommendations to the City, [The City's internal controls were inadequate for ensuring accurate financial reporting.](#)

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3. Preliminary Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. **Accordingly, we are reporting the following material weakness:** LOR Summary

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. **Accordingly, we are reporting the following material weakness:** LOR Summary

H.1.PRG - GAAP

Procedure Step: Cash and Investment Confirmation

Prepared By: KH, 7/11/2022

Reviewed By: GTW, 7/22/2022

Record of Work Done:

Material Balance(s) and Assertion(s):

FY 2021 Material balances & Analytical

Cash, cash equivalents, and pooled investments from the following funds (Existence):

- Governmental Activities: \$401,950,800
- General fund: \$131,770,211
- Consolidated Fire: \$12,907,633
- Street: \$22,671,951
- Park Impact Fees: \$12,834,939
- Capital Improvement: \$54,487,363
- American Rescue Plan Act: \$16,518,828
- Water/Sewer: \$108,258,963

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- Parking Services: \$7,187,821
- Aggregate Remaining: \$170,097,811

Restricted cash and equivalents (Existence):

- Water/Sewer: \$14,741,717

Component Units (Existence):

- Aggregate Component Units: \$279,598
- Cash with fiscal/escrow agent: \$6,470,106
- Cash with fiscal/escrow agent - restricted: \$5,900,145

1. Gain an Understanding of Internal Controls

Key Personnel:

Carrie Lewellen, City Treasurer

Michael Conjugation, Treasurer Accountant

Joydene Lee, Assistant Treasury Analyst

We went over controls with Carrie Lewellen on 5/7/21 via Phone.

Background: The City uses the SymPro system to account for and monitor city investments. The SymPro system tracks investments and allocates interest earned according to the total amount within each individual account. Workday GL information pertaining to investments is uploaded into SymPro and then verified that the information is accurate by comparing the SymPro data to the GL. The Treasurer Accountant monitors the amount of cash available for investing on a daily basis.

Investments - Investment decisions are made by the Treasury Accountant, as well as the City Treasurer. Investments are accounted for by the Treasury Accountant, who also evaluates and determines actual funds available for investing using an investment program which begins with actual balances for each month of the year, and indicates current funds available, plus the maturity date of prior investments to determine the amount of funds that will be invested or reinvested daily. The Treasury Accountant then searches for investments in Federal and US Treasury securities, which are acceptable for the City to purchase. The acceptable funds are presented to City Treasurer, who then makes the final decisions on which investments the City will purchase. US Bank, Corporate Trust performs the safekeeping of investments. The Treasury Accountant emails the investment information to the bank and then calls to verify they received the information. Once the bank receives the securities, funds are transferred, which completes the purchase process of the investment. The Treasury Accountant monitors investments through the SymPro system. A printout (Portfolio VANC) of all investments is compared to the GL. The Treasury Accountant interfaces the investments that have been purchased. Treasury Accountant, downloads the investment interface to the GL. Treasury Accountant receives the unopened portfolio statements and reconciles the investment system to the GL on a monthly basis. Every month the City does an interest allocation when they close out the month. Interest earned on the investments they reallocate back into their funds.

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Cash Receipting -Decentralized activity is captured through the use of the Hansen 8 (CED and Utilities) Active Net (Parks & Recreation), and T2 (Parking) receipting systems and then interfaced daily to the GL (Workday). The sub ledger in Workday is then reconciled to bank balances on a daily basis and then at month end the sub ledger is reconciled to the GL. During the pandemic, the City suspended its use of Clover Go to receipt boat launch fees during the summer months because boat launch sites were not staffed during that time. Payments for boat launch fees use the honor system and are paid by dropping payment into a metal long drop box. Payments are hand entered by the first floor staff as they are received.

Using information from the various cash receipting systems, a Treasury Accountant pulls registers and uses an Excel spreadsheet to reconcile the daily bank cash balance to the GL balance. This balances the transactions that were done in the system and deposited. Any discrepancies are reviewed by Treasurer Accountant II and resolved (Control 1)

Council Oversight- Quarterly financial reports are prepared and submitted to the City Council members, along with detail of the investment activity based on the quarterly review of the investment portfolio conducted by the Finance Director. The City Council reviews and monitors investing activities and decisions made by the City Treasurer and provide feedback as needed. In addition, the City Treasurer regularly monitors the control system over cash receipting and implement changes to policies and procedures when necessary. Starts as budget to actual, discussion of where debt and balances are at quarter end.

Reconciliation of Bank accounts - On a monthly basis the Assistant Treasury Analyst reconciles cash posted in the GL to cash deposited at the bank (Control 2). This procedure is completed by the 15th of the following month. Daily reconciliations are performed by an employee who does not have access to cash and does not perform cash receipting responsibilities. All receipting for the City is performed on the first floor of the City Hall building or at other departments not located within City Hall. The Treasury Department, which posts receipting information to the GL is located on the 4th floor of City Hall. The employees performing reconciliations do approve ACH receipts through the bank, but do not handle physical money. Reconciliations start with the ending balance on the bank statement, add deposits by the bank, subtract deposits in transit and outstanding checks. The total amount of cash available from the combined bank statements are added together. A comparison of the combined cash and the Cash Ledger is performed. If the amount ending cash from the bank statements agrees to the cash ledger, no further reconciliation is required. The City Treasurer reviews electronic copies of the bank reconciliation and supporting electronic excel files (Control 3). Before the COVID-19 pandemic the treasurer would review and maintain hard copies, but everything has transitioned into electronic format. The reconciliation and bank statements are electronically filed together for retainage after her review is complete. If there is a discrepancy between cash recorded in the GL and the deposits made at the bank, City Treasurer will then continue the reconciliation process. Once the GL and deposits at the bank agree, City Treasurer files the reconciliation. The City Treasurer has access to the bank reconciliation throughout the reconciliation period and reviews the Treasury Accountant's work-in-process periodically.

The City Treasurer reviews the daily and monthly bank reconciliations to ensure all funds received are receipted at the bank and verifies that the GL cash balances agree to the bank.

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Identified Key Controls (Focusing on Existence):

1. Using information from the various cash receipting systems, a Treasury Accountant pulls registers and uses an Excel spreadsheet to reconcile the daily bank cash balance to the GL balance. This balances the transactions that were done in the system and deposited. Any discrepancies are reviewed by Treasurer Accountant II and resolved. (Existence)
2. On a monthly basis the Assistant Treasury Analyst reconciles cash posted in the GL to cash deposited at the bank. (Existence)
3. The City Treasurer reviews electronic copies of the bank reconciliation and supporting electronic excel files. (Existence)

2. Confirm Understanding

1. Using information from the various cash receipting systems, a Treasury Accountant pulls registers and uses an Excel spreadsheet to reconcile the daily bank cash balance to the GL balance. This balances the transactions that were done in the system and deposited. Any discrepancies are reviewed by Treasurer Accountant II and resolved. (Existence)

We confirmed that daily cash reconciliations were occurring by obtaining the May 2021 Check Register reconciliation spreadsheet. We confirmed that the daily reconciliations are performed by an employee who does not have access to cash and does not perform cash receipting responsibilities. Through discussions with the Treasury Department, we noted that no cash/checks are received/receipted on the 4th floor. **This control appears to be in place.**

2. On a monthly basis the Assistant Treasury Analyst reconciles cash posted in the GL to cash deposited at the bank. (Existence)

We confirmed that a monthly bank reconciliation was performed by obtaining the monthly bank reconciliation for December 2021 completed by Treasury staff and noted that it was approved by the City Treasurer, Carrie Lewellen on 2/2/2022 as documented by an electronic date and signature. **This control appears to be in place.**

3. The City Treasurer reviews electronic copies of the bank reconciliation and supporting electronic excel files. (Existence)

We obtained the December 2021 monthly bank reconciliation and confirmed that it was approved by the City Treasurer, Carrie Lewellen as electronically documented by a date and signature. **This control appears to be in place.**

3. Final Control Risk Assessment

Control testing is not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

Final control risk is assessed at **MAX** - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

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H.1.PRG - GAAP

Procedure Step: Property Taxes

Prepared By: HB, 7/12/2022

Reviewed By: GTW, 8/1/2022

Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

Property Taxes - General Fund - \$52,614,858 (**Completeness, Occurrence**)
Property Taxes – Aggregate Remaining - \$6,003,654 (**Completeness, Occurrence**)
Receivables - Taxes/Assessments – GF - \$15,524,028 (**Completeness**)
Receivables - Taxes/Assessments – Street - \$1,228,355 (**Completeness**)
Receivables - Taxes/Assessments – Agg. Remain. \$3,307,803 (**Completeness**)
Unavailable Revenue - General Fund - \$552,994 (**Completeness**)
Unavailable Revenue - Aggregation Remaining - \$62,595 (**Completeness**)

1. Gain an Understanding of Internal Controls

Key Personnel

Joydene Lee, Treasurer Accountant
Carrie Lewellen, City Treasurer

Control Understanding

At the beginning of 2021, the Treasurer Accountant received an automated email from the County and used that email to receipt the daily property tax receipts. In May 2021, the automatic email generated by the County stopped working and the Treasurer Accountant began actively requesting the daily receipts from the County by email. The Treasurer Accountant, receipts the daily property tax receipts as collected by the County on the City's behalf based on an email that comes from the County each day (Control #1). The City Treasurer reconciles the monthly property tax receipts to the County Treasurer Fiscal YTD Summary Report received from PACS and also compares collections against the levy and monitors the County Treasurer adjustments to ensure they are receiving a reasonable amount of funds based on their levy and prior history and experience (Control #2). The City Treasurer posts the receivable at year end via journal entry based on the same Clark County report, Fiscal YTD Summary Report. The GASB 33 adjustment for the unearned revenue is completed by accounting at year end.

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Receivables Understanding

Carrie Lewellen, the City Treasurer, is in charge of the property taxes receivables. She begins by obtaining the Clark County Treasurer property tax receipt reports for all outstanding levies from the Clark County Treasurer's web portal. The City Treasurer updates a spreadsheet to identify the needed adjustment to the property tax receivable balance for each fund (Control #3). The balance in Workday for the ledger account 121000 property taxes receivable for the applicable funds is reviewed to confirm the balance still equals the prior year ending balance by fund. A journal in Workday is then created to record the change in the receivable balance for each fund, with support being attached to the journals in Workday (Control #4). The work is reviewed by an accountant, and then the ledger balance in 121000 is confirmed to equal the year-end receivable balance. Additionally, when the financial statements are being created, the accountants or the accounting manager also review the balances and applicable support.

Unavailable Revenue Understanding

We spoke to Cyndi Turner, Accounting Manager, about the City's process for booking unavailable revenue and accruals. Per Cyndi, LaVonne Steiner-Weigel, staff accountant, records the January and February tax turnovers in a tracking spreadsheet after they are received (Control #5). The accruals are calculated from taking the total receipts for each month individually across all years and subtracting the current year portion to receive the net accrual amount. The journal entry for unavailable revenue accrual is made by the staff accountant, who lists the journal entry number in the spreadsheet to reverse at next year's accrual (Control #6).

Key Controls Identified

1. The Treasurer Accountant, receipts the daily property tax receipts as collected by the County on the City's behalf based on an email that comes from the County each day. (Occurrence)
2. The City Treasurer reconciles the monthly property tax receipts to the County Treasurer Fiscal YTD Summary Report received from PACS and also compares collections against the levy and monitors the County Treasurer adjustments to ensure they are receiving a reasonable amount of funds based on their levy and prior history and experience. (Completeness, Existence)
3. The City Treasurer updates a spreadsheet to identify the needed adjustment to the property tax receivable balance for each fund (Completeness).
4. The City Treasurer creates a journal in Workday to record the change in the receivable balance for each fund, with support being attached to the journals in Workday (Existence).
5. A staff accountant records the January and February tax turnovers in a tracking spreadsheet after they are received (Completeness).
6. The journal entry for unavailable revenue accrual is made by the staff accountant, who lists the journal entry number in the spreadsheet to reverse at next year's accrual (Completeness).

2. Confirm Understanding

1. The Treasurer Accountant, receipts the daily property tax receipts as collected by the County on the City's behalf based on an email that comes from the County each day. (Occurrence)

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In May 2021, the County Treasurer's automated emails stopped working and the County Treasurer decided not to fix the problem. When the Treasurer Accountant did not receive an automated email, they reached out to the County Treasurer and received an email back with the remittance details. They continued to reach out daily for the remainder of the year. Therefore, to confirm this control, we will select one automated email from before the automated emails stopped working in May and one email received from the County Treasurer after May that was prompted by the Treasurer Accountant.

We obtained and reviewed an automated email from the County, the email was received on 5/7/21, for total tax remittance amount of \$85,522 and we confirmed that the Treasurer Remittance report was attached. We also reviewed Operational Journal 265083 for tax remittance of \$85,522, we noted that Journal amounts agreed to the remittance report.

We obtained and reviewed an email received from the County Treasurer as a result of the Treasurer Accountant requesting the daily remittances. The email was received on 12/7/21 for total tax remittance amount of \$6,350. We reviewed Operational Journal 325258 for tax remittance of \$6,350, we noted that Journal amounts agreed to the remittance email. **It appears the controls is in place.**

2. The City Treasurer reconciles the monthly property tax receipts to the County Treasurer Fiscal YTD Summary Report received from PACS and also compares collections against the levy and monitors the County Treasurer adjustments to ensure they are receiving a reasonable amount of funds based on their levy and prior history and experience. (Completeness, Existence)

We obtained the reconciliation completed by Carrie Lewellen, City Treasurer. We reviewed the reconciliation '2021 Tax Collection History' from the spreadsheet there is a reconciliation of the Taxroll Report against the GL. On the "recap" tab we noted the total dollars collected through the levy, the amount of levy dollars that are delinquent, and what percentage of levy dollars had been collected. **It appears the control is in place.**

3. The City Treasurer updates a spreadsheet to identify the needed adjustment to the property tax receivable balance for each fund (Completeness).

We obtained the spreadsheet used by the City Treasurer, titled "Property tax receivable adj backup." We reviewed the adjustment calculation, and verified the adjustment entry with screenshots in the spreadsheet from the Workday trial balance reflecting the adjustment. These showed the balances before the entry, the County Treasurer's Report balances at year-end for each fund, and the balances after the entry is posted. **It appears the control is in place.**

4. The City Treasurer creates a journal in Workday to record the change in the receivable balance for each fund, with support being attached to the journals in Workday (Existence).

We reviewed the journal entries in Workday that recorded the change in receivable balance for each fund. Additionally, we reviewed the support attached to the journal entries. This support includes the County Treasurer property tax receipt reports as well as the spreadsheet titled "Property tax receivable adj backup." **It appears the control is in place.**

5. A staff accountant records the January and February tax turnovers in a tracking spreadsheet after they are received (Completeness).

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We reviewed the tracking spreadsheet titled "Property Tax Accrual 2021" that also shows tabs for prior years up to 2018, and were walked through the process and calculation by Cyndi Turner, Accounting Manager. We confirmed that the calculations had been done correctly. **It appears the control is in place.**

6. The journal entry for unavailable revenue accrual is made by the staff accountant, who lists the journal entry number in the spreadsheet to reverse at next year's accrual (**Completeness**).

We reviewed JE-00017159 that booked unavailable revenue based on the accrual amounts calculated in the spreadsheet for each levy. We confirmed that the proper amounts had been posted, and verified that the journal entry number was listed in the spreadsheet. We also verified that the journal entry numbers for reversals had been included in the tabs for prior years. **It appears the control is in place.**

3. Final Control Risk Assessment

Control testing is not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

Final control risk is assessed at **MAX** - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: State Sponsored Pension Plans

Prepared By: KH, 7/7/2022

Reviewed By: GTW, 7/26/2022

Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

Net Pension Asset (Completeness, Existence, Valuation):

- Governmental Activities: \$125,792,824
- Water/Sewer: \$13,537,883

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- Parking: \$518,827
- Aggregate Remaining: \$13,587,249

Net Pension Liability from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$2,583,909
- Water/Sewer: \$1,292,071
- Parking Services: \$49,517
- Aggregate Remaining: \$1,296,782

Deferred outflows related to pensions from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$10,521,806
- Water/Sewer: \$1,787,114
- Parking Services: \$68,489
- Aggregate Remaining: \$1,793,631

Deferred inflows related to pensions from the following funds (Completeness, Existence, Valuation):

- Governmental Activities: \$73,770,332
- Water/Sewer: \$14,049,911
- Parking Services: \$538,450
- Aggregate Remaining: \$14,101,147

Risk (what could go wrong):

Pension balances are complex calculations and while there are tools available to clients there is a risk that the City did not input the correct amounts in the tool resulting in incorrect calculation of the pension balances.

1. Gain an Understanding of Internal Controls

We gained an understanding of the government's process for determining, tracking and recording GASB 68 pension balances at fiscal year-end as follows:

Key Personnel

Cyndi Turner, Accounting Manager

Jordan Sherman, Internal Auditor

Control Understanding

The City participates in PERS 1 & 2/3 and LEOFF 1 & 2. The Internal Auditor performed the calculations of all GASB 68 figures reported within the financial statements. To ensure pension amounts are calculated properly, the Internal Auditor downloads reports off the DRS website for the City's contributions by pension type, downloads the PEFI report for the relevant year to confirm the City's allocation percentages, and enters the data into the GASB 68 pension worksheet, to calculate all financial statement balances (control #1).

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Allocations by fund are based on pension expense by department (org # in GL) during the year. The Internal Auditor downloads a GL report and utilizes a spreadsheet to determine each departments allocation percentage based on total pension expense.

The Internal Auditor performs a reconciliation of the City's contributions using a spreadsheet to compare the City's payments to DRS to the DRS download (control #2). Should there be any difference, usually timing based, materiality will be considered when determining additional follow up.

After the calculations are performed, they are reviewed by the City's Accounting Manager. During their review, they consult the state's spreadsheet and note template from the BARS Manual. Any changes that are needed are sent back to the Internal Auditor to correct.

Controls Identified

- 1) To ensure pension amounts are calculated properly, the Internal Auditor downloads reports off the DRS website for the City's contributions by pension type, downloads the PEFI for the relevant year to confirm the City's allocation percentages, and enters the data into the GASB 68 pension worksheet, to calculate all financial statement balances (existence, valuation).
- 2) The Internal Auditor performs a reconciliation of the City's contributions using a spreadsheet to compare the City's payments to DRS to the DRS download (completeness, existence, valuation).

2. Confirm Understanding

- 1) To ensure pension amounts are calculated properly, the Internal Auditor downloads reports off the DRS website for the City's contributions by pension type, downloads the PEFI for the relevant year to confirm the City's allocation percentages, and enters the data into the GASB 68 pension worksheet, to calculate all financial statement balances (existence, valuation).

*From the Internal Auditor, we received the City's GASB 68 calculation worksheet. We noted that the worksheet was completed with the correct PEFI percentages and DRS contribution rates. **This control appears to be in place.***

- 2) The Internal Auditor performs a reconciliation of the City's contributions using a spreadsheet to compare the City's payments to DRS to the DRS download (completeness, existence, valuation).

*We obtained the reconciliation spreadsheet generated by the Internal Auditor. We noted multiple tabs and steps for bringing in DRS data, the GASB 68 spreadsheet, and the accounts balances from the general ledger. Each tab in the ledger is a step to reconcile the values. We identified notes, highlighted cells, color coded cells, and instructions, indicating active use and completion. **This control appears to be in place.***

3. Final Control Risk Assessment

Control testing is not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

Final control risk is assessed at **MAX** - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that

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substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PR.G - GAAP

Procedure Step: Long-Term Debt

Prepared By: SMM, 6/27/2022

Reviewed By: GTW, 8/2/2022

Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

Accrued Interest Payable (Govt Activities) \$147,257 (Completeness)

Accrued Interest Payable (Parking) \$7,274 (Completeness)

Due within one year (Govt Activities) \$34,377,807 (Completeness, Classification, Existence)

Due in more than one year (Govt Activities) \$68,112,711 (Completeness, Classification, Existence)

Current - Bonds, notes, and loan payable (Parking) \$785,000 (Completeness, Classification, Existence)

Bonds, notes, and loan payable (Parking) \$2,465,000 (Completeness, Classification, Existence)

Interest/Fiscal Charges (GO) \$19,309,559 (Completeness, Valuation)

Interest/Fiscal Charges (Agg Remain) \$225 (Completeness, Valuation)

Principal retirement (GO) \$6,030,259 (Completeness, Valuation)

Principal retirement (Agg Remain) \$5,000 (Completeness, Valuation)

Refunding of Debt (GO) \$17,540,812 (Completeness, Valuation)

Long-term Debt

1. Gain an Understanding of Internal Controls

Key Personnel

City Treasurer: Carrie Lewellen

Background: All proposed bonds must pass through several reviews and revisions, including the City Council's first and second review at a council meeting with approval. After approval the bonds are issued, the City receives the proceeds and a liability is entered into the financial system. Bonds are created, issued and future revenues are committed based on the specific needs of the City, typically based on a five-year capital plan. Prior to issuance, Piper Jaffary, US Bank underwriter, and related city departments discuss which resources will be used to pay the

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bonds and the city commits that revenue. The underwriter then uses the City's preliminary revenue forecast model and creates useable models based on par, premium, and discount options as specified. Once the structure of the debt is agreed upon and the underwriter's reviews are complete, the documents are placed before the City's Bond Council for review and an official statement is released announcing that the City is issuing debt. As long as the City remains within debt limitations, the City does not have to obtain voter's approval for new issuance of bonds. The debt packet is then sent to the underwriter for review and to City Council for first reading and approval.

After the second reading and approval by City Council, the City Manager signs the bond purchase agreement. Then the bond company decides whether to begin issuing the debt based on market conditions. The sale date of bonds may start any time after the public hearing, and may be sold in a 90 to 120 day window. Transcripts are signed by the City Treasurer, Mayor and City Clerk. Once all the bonds are sold, a closing memorandum is issued to announce the bonds were completely sold and noting the closing date. The Bond Council calls the City Treasurer to confirm the City has received all of the bond proceeds. At this point, all the documents are sent to the Bond Council for verification that all legal requirements have been met. The Bond council sends a bond transcript file to the city, which includes a copy of all documents related to the bonds issuance.

Long-term Debt Processing Function: Bond proceeds are first receipted into a suspense account at the City and then transferred to the appropriate funds by the City Treasurer. The Finance Department then reviews the journal entry to record current and long-term debt, before posting. Amortization schedules are obtained from the underwriter, which are then reviewed by the City Treasurer for accuracy. U.S. Bank, acting as a fiscal agent for the City, also sets up an amortization schedule in their system, which they reconcile to the amortization schedule provided by the underwriter as a secondary check.

When the City receives the invoices from US Bank, a Treasury Accountant compares it to the City's amortization schedule before payment is issued. A journal entry is then created to record expenses for principal payment, which is uploaded into the City's AP system. Treasury then wires the payment from the City's Bank of America account to U.S. Bank, and AP records the payment. Once the payment is settled, one Treasury Accountant enters the settled amount and a second Treasury Accountant verifies that it has been correctly posted to the U.S. Bank account.

The City Treasurer reports the actual amount of new debt to the City's budgeting department. The budgeting department then includes actual amounts in the City's biennial budget, replacing the initial estimates created to request and approve the new debt. As payments are entered into the system, any significant difference from the approved payment according to the amortization schedule will be rejected by the system. The payment amount must agree with the budgeted amount or the payment will not be processed.

A Treasury Accountant prepares the Schedule 09 by taking recorded expenditures, by fund, from the GL. The beginning balance is taken from the amortization schedule and compared to last year's ending balance. The current year ending balance is calculated by taking the beginning balance and subtracting payments made. The ending balance is then agreed to the amortization schedule. Each fund is assigned to a specific accountant who is responsible for monitoring accounting entries and verifying that the amount presented for the financial statements is accurate and complete by comparing debt issued and remaining to the GL. (Control #1) The City Treasurer and Accounting Manager are in charge of the GO debt service fund and the LID debt fund - 250. Finance Accountants oversee the Off-Street Parking fund and other funds such as Water/Sewer. A

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detail of each fund is run to verify all payments are made and charged to the correct fund.

Finance Accountants assess the amount of liability to be reported on the financial statements using the amortization schedules. Typically, the Treasury Accountant enters any journal entries, and then the accounting department posts the transaction. Treasury Accountants and Finance Accountants create the financial statement notes relating to debt. Reconciliation is performed by the accounting department to verify the amounts presented in the financial statements agree with the notes, which are then reviewed by the Accounting Manager for accuracy.

The City Treasurer maintains a spreadsheet to keep track of City's long-term debt using the Amortization Schedules obtained from the underwriter, and separate each debt into current and long term amounts owed. (Control #2). This spreadsheet accounts for all debt issued by the City and organizes the issuance by Activity, type of debt, and fund. The City Treasurer's LT Debt spreadsheet separates debt for activity, debt type, fund, and current vs long term. The sheet is used and monitored by accounting staff for the classification and reporting of debt (Control #3). Carrie updates the spreadsheet as payments come due and amounts are supported by accounting staff. Carrie also updates the spreadsheet at year-end when there is new bond issuance or refunding.

Bond Refunding: The City Treasurer is responsible for preparation of the bond refunding journal entry. After the refunding has been properly approved by the City Council and City Manager, the City refunds the old debt and issues new. The City obtains a closing Memorandum, which contains the final numbers relating to the refunding. The City Treasurer uses information from the Closing Memorandum to create the Journal Entry to record the bond refunding. The Accounting Manager then reviews the Journal Entry and posts it. Debt is recorded at actual value; the City uses Sympro's debt module to calculate the actual amount of premium/ discount. A year-end adjustment is performed to true-up the GL premium/discount amounts with the Sympro balances.

Note: The City changed banks from US Bank to JP Morgan Chase at the beginning of 2022.

Key Controls Identified

1. Each fund is assigned to a specific accountant who is responsible for monitoring accounting entries and verifying that the amount presented for the financial statements is accurate and complete by comparing debt issued and remaining to the GL. (Completeness)
2. The City Treasurer maintains a spreadsheet to keep track of City's long-term debt using the Amortization Schedules obtained from the underwriter, and separate each debt into current and long term amounts owed. (Valuation, Existence)
3. The City Treasurer's LT Debt spreadsheet separates debt for activity, debt type, fund, and current vs long term. The sheet is used and monitored by accounting staff for the classification and reporting of debt. (Classification)

2. Confirm Understanding

1. Accountants reconcile debt issued for their areas of responsibility to the GL (Completeness).

[We reviewed the 2021 fund analysis spreadsheets provided by the Treasurer. Each fund review excel workbook includes a "checklist" tab that documents what has been completed. We reviewed the spreadsheet for Fund #491. We noted within the review comments tying amounts](#)

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reported as LTD within the GL back to supporting amortization schedules. We then compared the amount to our debt spreadsheet and noted nothing of concern. **This control appears to be in place.**

2. The City Treasurer maintains a spreadsheet to keep track of City' long-term debt using the Amortization Schedules obtained from the underwriter (Valuation, Existence).

We obtained the most current version of the long-term debt spreadsheet from the City Treasurer and compared the amounts to our debt spreadsheet. The spreadsheet had notes, explanations, and adjustments, indicating use and review. **This control appears to be in place.**

3. The City Treasurer's LT Debt spreadsheet separates debt for activity, debt type, fund, and current vs long term. The sheet is used and monitored by accounting staff for the classification and reporting of debt (Classification).

We received the most current version of the City's Debt Tracking spreadsheet. We noted different funds were listed, and categories of short long term liabilities were present. We compared the debt by type/fund for water/sewer and governmental to our debt spreadsheet and noted no exceptions. **This control appears to be in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: GASB 75 OPEB

Prepared By: KH, 7/7/2022

Reviewed By: GTW, 7/26/2022

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Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

OPEB Liability due in more than one year: \$44,906,257 - Valuation/Classification

OPEB Liability due in one year: \$1,640,288 - Valuation/Classification

1. Gain an Understanding of Internal Controls

The city implemented GASB 75 during 2018. As part of the implementation, City staff has read the pronouncement to familiarize themselves with the requirements and have attended GASB update, WFOA and Advanced Government Accounting trainings for GASB 75 implementation. The City already reported OPEB for the LEOFF 1 plan under GASB 45 requirements and evaluated their other activity and payments to determine if there were any other OPEB plans as defined by GASB 75. Only the LEOFF 1 plan was identified by the City. Accounting staff worked with HR to provide the necessary information used by Milliman, Actuary firm, to determine the assumptions and methods used in determining the City's OPEB liability. Utilizing information from within the actuary reports, Accounting Staff prepare the necessary journal entries to report GASB 75 OPEB liabilities, deferred outflows, and expense.

The City calculates the current portion of the OPEB liability by running a report detailing all transactions within the Police and Fire Pension Trust Funds for the first 5 months of the current year. They then use a spreadsheet to estimate the current portion by calculating the daily rate for each spend category and multiplying it by the number of days in the year.

Controls Identified:

1. The City relies on the calculation performed by the contracted actuary for OPEB related balances (Valuation/Classification).
2. The Internal Auditor calculates an estimate for the current portion of the OPEB liability within an Excel spreadsheet. (Valuation/Classification)

2. Confirm Understanding

1. The City relies on the calculation performed by the contracted actuary for OPEB related balances (Valuation/Classification).

We spoke with Jordan Sherman, Internal Auditor, who provided us with the data spreadsheets that were provided to Milliman, Actuary. These spreadsheets included the financial data utilized by Milliman as part of their determination for valuation assumptions for both the Police and Fire fighter pension fund. During our substantive work we performed an evaluation of the assumptions used by Milliman and the accuracy of the data sent over by the City; see: GASB 75 Testing Strategy – Local Govts. **This control appears to be in place.**

2. The Internal Auditor calculates an estimate for the current portion of the OPEB liability within an Excel spreadsheet. (Valuation/Classification)
We obtained the OPEB Current Portion Estimate spreadsheet from the City and noted that it was created using a COV - All Transactions report

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and filtered by fund to only include Police and Fire Pension Trust Funds. We reviewed the cell calculations that the City used to estimate the current portion and determined that the method used to estimate the current portion appears to be reasonable and accurate. **This control appears to be in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: Centralized Receipting

Prepared By: HB, 8/9/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Material Balance(s) & Assertion(s): FY 2021 Material balances & Analytical

Sales and Use Tax

- General Fund - \$60,211,284 (Completeness, Occurrence)
- Aggregate Remaining - \$8,167,059 (Completeness, Occurrence)

Intergovernmental

- Street Fund - \$3,932,335 (Occurrence)

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Receivables - Tax/Assessments

- General Fund - \$15,524,028 ([Existence](#))
- Street Fund - \$1,228,355 ([Existence](#))
- Aggregate Remaining - \$3,307,803 ([Existence](#))

Charges for Services

- Consolidated Fire: \$12,488,120 ([Occurrence](#))

Other Taxes

- General Fund - \$58,866,871 ([Valuation](#), [Occurrence](#))
- Street Fund - \$6,529,013 ([Completeness](#), [Occurrence](#))
- Aggregate Remaining - \$11,848,493 ([Completeness](#), [Occurrence](#))

1. Gain an Understanding of Internal Controls:

The City receipts cash at the City Hall and the General Andersen Building (mostly utilities). Revenues are receipted by Customer Service Representatives (CSR) throughout the day. The City uses multiple systems to receipt for different activities including Hansen, T2 and CLASS - Also, the City receipts monies directly in Workday by posting journal entries for such things like taxes received and funds received for the fire contract.

Key Personnel:

- Cyndi Turner, Accounting Manager
- Natasha Ramras, CFO
- Udobong Obotette, Budget Analyst
- Carrie Lewellen, City Treasurer
- Joydene Lee, Treasury Accountant
- LaVonne Steiner-Werner, Accountant

State Taxes

State tax revenues that are derived from sales/use, excise, criminal justice, fuel, lodging, etc are collected by the State and remitted to the City monthly. The City receives an auto generated email from the State with the attached remittance report (**Control #1 - Existence**). The State Treasurer provides the City with a monthly report as of the last day of the month. The Treasury Accountant receipts the revenue into Workday based on the reported remittance amounts from the State Treasurer's remittance report (**Control #2 -Occurrence**). The Treasury Accountant then verifies that the correct tax amount remitted was received in the City's LGIP account (**Control #3 - Occurrence/ Completeness**).

Collections are monitored monthly and quarterly relative to the general ledger, with the Budget Analyst, drafting/developing the reports; the City Treasurer, briefly reviews only the sections related to Debt, Investments, and Cash for reasonableness; and the CFO performs high level review for reasonableness. The amount received in a month is actually for the collections for 2 months prior, i.e. the amount received in January is actually revenue collected in November of the prior year. A Fiscal Accountant (LaVonne) from the Accounting Department makes an adjusting

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entry in March to accrue the actual taxes. Using the information from the State Treasurer's remittance report to make the entries, this ensures that recorded amounts are accurate (Control #4 - Valuation/ Completeness).

County Taxes

The County collects excise tax revenue (REET) on behalf of the City. On the 10th of each month (Or a day or two before if the 10th is on a Weekend), the County sent (remittance report) a summary to the City of taxes received, REET, and Property Taxes. However, the County's automated email system has not been working since May 2021. The City now reaches out to the County to get remittance reports reports via email. (Control #1 - Existence). The Treasurer Accountant, receipts amounts from the county remittance statements into the appropriate fund through Workday (Control # 2 - Occurrence). The Treasury Accountant then verifies that the correct tax amount remitted was received in the City's LGIP account (Control #3 - Occurrence / Completeness).

The County sends the monies electronically, via ACH, to the City's bank account. There is a one to two day lag until the monies are actually received. The County notifies the City daily with the amount received, as applicable. A full reconciliation is done between the bank statements and the GL on a daily & monthly basis. Yearly accruals are performed by a Fund Accountant within the Accounting Department of the County taxes, there is a one month lag between when revenues are collected and when they are remitted to the City. Each year, the Fund Accountant will accrue the Treasury Accountant's January receipts to the previous year and ensure that the accrual occurred within the correct fiscal period (Control # 5 - Completeness).

City Utility Tax

The Utility Tax is based on utility revenues. Monthly, the City's Utility Fund Accountant, performs a data pull for all utilities billed during the period into a spreadsheet, which sums all utility revenue amounts and calculates the utility tax based on approved rates (Control #6 - Valuation/Occurrence). The spreadsheet will also split amounts into the appropriate funds (444, 445, 475). As a double check, the sum of the results per fund are checked against the total utility tax due for the period. Based on this spreadsheet, the Utility Fund Accountant will create a journal entry to record the transfer of utility tax revenue from the General Fund to the fund it is due to. After the journal entry is prepared, it is reviewed by a Fund Accountant, and posted to the General Ledger and accrued to the correct fiscal period (Control #7 - Completeness).

PUD Tax

PUD tax is collected from the vendor, Clark Public Utilities, monthly. The payment is sent as an AC, Clark PUD remits a revenue report and spreadsheet calculation of the amount remitted. The front desk Customer Service Representative receipts the money into Workday, after which Michael Conjugation, Treasurer Accountant, verifies the amount receipted to the bank statement, supporting documents and that the correct tax percentage was applied to revenues (Control #3 - Occurrence/Completeness).

Other Taxes (gas, garbage, and telephone)

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Other taxes are receipted into the system by City Hall Customer Service Representative. Telephone taxes are paid by several vendors who remit taxes and a Telephone Utility Tax Report to the City. Gas Tax is collected from NW Natural and sent to City Hall on a quarterly basis. Garbage/Solid Waste Utility Tax is remitted by Waste Connections Inc. monthly. After receipting, all taxes and supports are sent to Michael Conjugation, Treasurer Accountant, verifies the amount receipted to the bank statement and supporting documents **(Control #3 - Occurrence/Completeness)**.

Fire 5 contract -

For fire services, the calculation of the budget is determined by a budget analyst. In 2020, the responsibility moved to Udobong Obotette, the budget analyst for the City. This budget is shared with Jennifer Burk and Ron Gibson (fire department analyst) at Fire 5. The County sends the payment due via ACH deposit to the City Treasurers bank account. The ACH deposit is then receipted into Workday by a Treasury Accountant.

Per the interlocal agreement, the payment due is determined by a yearly proposed budget, which must be determined by the City no later than October 1 for the next year's fire operations. The yearly budget is calculated based on previous year's expenses and adjusted for any new items or increases. Proposed changes in the service level or funding must be communicated from the City to the District by June 1 for the following year. Funding may also be adjusted to reflect un-captured expenses within a reasonable time of such expenses becoming actually known. Udobong Obotette, Budget Analyst, calculates yearly changes using the "Exhibit C" spreadsheet included with the interlocal agreement. The spreadsheet is filled out each year and adjusted as needed if new expenses are incurred. The city and the fire district do not sign a new contract every year. The contract states that it will continue until the District no longer exists as a municipal corporation.

Per the contract, the district is to pay the agreed upon amount in at least two payments, one required on or before June 1 and the other on or before December 15. The June payment is to be equal to 50% of the district's annual obligation. The December payment should be equal to the balance of the District's required contribution. The revenues are booked into the City GL after they are received based on the Exhibit C calculation spreadsheet, which also facilitates ensuring the correct amount of revenues collected in advance is booked **(Control #8 - Occurrence/Completeness)**. Since the payments are earned in the year received and booked in the year received, the revenues are both earned and available.

Identified Key Controls

1. The City receives an auto generated email from the State with the attached remittance report, and reaches out to the County each month to receive the remittance report. **(Control #1 - Existence)**.
2. The Treasury Accountant receipts the revenue into Workday based on the reported remittance amounts from the State Treasurer's remittance report or County's remittance report **(Control #2 -Occurrence)**.
3. A Treasurer Accountant verifies that the correct tax amount remitted was received in the City's LGIP account **(Control #3 - Occurrence/Completeness)**.

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4. A Fiscal Accountant from the Accounting Department makes an adjusting entry in March to accrue the actual taxes. Using the information from the State Treasurer's remittance report to make the entries, this ensures that recorded amounts are accurate **(Control #4 - Valuation/Completeness)**.

5. Yearly accruals are performed by a Fund Accountant within the Accounting Department of the County taxes, there is a one month lag between when revenues are collected and when they are remitted to the City. Each year, Fund Accountant, will accrue the Treasury Accountant's January receipts to the previous year and ensures that the accrual occurred within the correct fiscal period **(Control #5 - Completeness)**.

6. Monthly, the City's Utility Fund Accountant, performs a data pull for all utilities billed during the period into a spreadsheet, which sums all utility revenue amounts and calculates the utility tax based on approved rates **(Control #6 - Valuation/Occurrence)**.

7. Based on the utility tax spreadsheet, the Utility Fund Accountant will create a journal entry to record the transfer of utility tax revenue from the General Fund to the fund it is due to. After the journal entry is prepared, it is reviewed by a Fund Accountant, and posted to the General Ledger and accrued to the correct fiscal period **(Control #7 - Completeness)**.

8. Revenues received from Fire District 5 are booked into the City GL after they are received based on the Exhibit C calculation spreadsheet, which also facilitates ensuring the correct amount of revenues collected in advance is booked **(Control #8 - Occurrence)**.

2. Confirm Understanding:

1. The City receives an auto generated email from the State with the attached remittance report, and reaches out to the County each month to receive the remittance report. **(Control #1 - Existence)**.

We confirmed with Cyndi Turner, Accounting Manager, that the City is still receiving emails from the both the State and the County. However, the automated email process from the County has not been working since May 2021. The City now reaches out to the County each month for remittance reports. We verified that the City had been receiving County remittance reports in our property taxes and REET testing when we reviewed monthly remittance reports from the County treasurer. **It appears that this control is in place.**

2. The Treasury Accountant receipts the revenue into Workday based on the reported remittance amounts from the State Treasurer's remittance report or County's remittance report **(Control #2 - Occurrence)**.

We confirmed with Cyndi Turner, Accounting Manager, that revenue is receipted into Workday. Additionally, we reviewed JE-00013406 from 7/30/2021 to confirm that REET distributions from the State remittance report were being receipted. **It appears that this control is in place.**

3. A Treasurer Accountant verifies that the correct tax amount remitted was received in the City's LGIP account **(Control #3 - Occurrence/Completeness)**.

We reviewed JE-00015569 State Remittance for December 2021. We noted that the State remittance amount was for \$7,147,306.80, traced it to

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the December 2021 LGIP statement, and noted \$7,147,306.80 was deposited. **It appears that this control is in place.**

4. A Fiscal Accountant from the Accounting Department makes an adjusting entry in March to accrue the actual taxes. Using the information from the State Treasurer's remittance report to make the entries, this ensures that recorded amounts are accurate **(Control #4 - Valuation/Completeness)**.

We reviewed JE-00016685, which is year-end accrual of tax revenue. We noted that these entries are for Dec. 31, 2021 and are supported by the State remittances from January and February 2022. **It appears that this control is in place.**

5. Yearly accruals are performed by a Fund Accountant within the Accounting Department of the County taxes, there is a one month lag between when revenues are collected and when they are remitted to the City. Each year, the Fund Accountant will accrue the Treasury Accountant's January receipts to the previous year and ensures that the accrual occurred within the correct fiscal period **(Control #5 - Completeness)**.

We reviewed JE-00016593. We noted that these entries are GASB 33 entries to reverse FY 2021 REET tax amounts to recognize revenue from January 2022, supported by the County treasurer distribution. We reviewed the JE attached worksheet in Workday and verified the transaction was done correctly in our REET testing spreadsheet. **It appears that this control is in place.**

6. Monthly, the City's Utility Fund Accountant, performs a data pull for all utilities billed during the period into a spreadsheet, which sums all utility revenue amounts and calculates the utility tax based on approved rates **(Control #6 - Valuation/Occurrence)**.

We obtained the Utility Fund Accountant's spreadsheet for December 2021, noting that it included utility revenue reports that tied to GL revenue amounts. We noted that the spreadsheet used the revenue amount and the approved tax rate per Vancouver Municipal Code to calculate utility tax. **It appears that this control is in place.**

7. Based on the utility tax spreadsheet, the Utility Fund Accountant will create a journal entry to record the transfer of utility tax revenue from the General Fund to the fund it is due to. After the journal entry is prepared, it is reviewed by a Fund Accountant, and posted to the General Ledger and accrued to the correct fiscal period **(Control #7 - Completeness)**.

In the utility tax spreadsheet, we noted that the journal entry associated with the utility tax transfer was provided. We reviewed JE-00015710 in Workday, and tied the journal entry lines to the Utility Fund Accountant's spreadsheet with no exceptions. **It appears that this control is in place.**

8. Revenues received from Fire District 5 are booked into the City GL after they are received based on the Exhibit C calculation spreadsheet, which also facilitates ensuring the correct amount of revenues collected in advance is booked **(Control #8 - Occurrence)**.

We reviewed Exhibit C for FY 2021. We confirmed the calculations were performed accurately based on information included and the revenue was received based on the supporting calculation. **It appears that this control is in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or

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material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: Capital Assets
Prepared By: KH, 8/12/2022
Reviewed By: GTW, 8/15/2022

Record of Work Done.:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

Infrastructure – Govt. Activ. - \$431,490,774 ([Existence, Rights and Obligation](#))
Infrastructure/Other Improvements – Water/Sewer - \$652,344,877 ([Existence, Rights and Obligation](#))
Construction Work In Progress – Govt. Activ - \$18,946,250 ([Classification, Existence](#))
Construction Work In Progress – Water/Sewer - \$39,464,473 ([Classification, Existence](#))
Machinery & Equipment - Governmental Activities: \$26,721,746 ([Classification, Existence](#))
Machinery & Equipment - Water/Sewer: \$25,371,729 ([Classification, Existence](#))
Machinery & Equipment - Agg Remaining: \$44,442,286 ([Classification, Existence](#))

Not Updated in FY20 or FY21 due to not picking up the balance/assertion

1. Gain an Understanding of Internal Controls:

Only portions relevant to our selected balances were updated and included in the ROWD below.

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Key personnel:

Accounting Manager - Cyndi Turner

Erin Jacobson - Accountant

Shannon Turk - Senior Financial Analyst

Capital Assets -

Additions of Assets (Non-capital contributions)

Each capital asset is assigned a project code and all expenses associated with that project code are handled together and then added as support for that project's expenses in Workday. Each project's costs for assets like Infrastructure and Other improvements are valued using actual invoice values or other equivalent support to demonstrate that the cost has actually been incurred and to support the amount booked in the GL. (Key Control 1).

Infrastructure -

For water/sewer projects, most are split into multiple assets that supplier invoices cannot be specifically traced to without looking deep into engineer support. The accounting department reviews closure memos when a project is finished to determine the costs allocated to each asset (Key Control 2). The expenses in the closure memos are approved by the project managers, who determine the expenses being allocated. The accountants will perform a reconciliation before the infrastructure assets are booked, and will follow-up with project managers to determine causes for any differences to ensure that all costs are capitalized (Key Control 3).

CIP -

For each project, departments will receive appropriate budgets for projects. They will then submit for a project worktag via Workday. These worktags all start with "PRJ" and followed by 6 numbers it looks like "PRJ#####". Project numbers are set up for all CIP projects. When a project is assigned a corresponding worktag it will be assigned to one of the accountants. The accountants are in charge of reviewing and approving the projects, this is done by looking at supporting documentation and inquiring when appropriate. By creating project worktags it will capture all corresponding expenses coded to the project to make sure everything is captured for consideration. When a project meets the City's asset threshold the accountant will mark the project as a capital project. This also assists in ensuring Accountants are aware of the active projects of their departments. All expenditures that get posted to the CIP project codes are based on actual expenditures. At year end the accountants' complete analyses over the projects. They look at all account activity coded to the CIP ledger within the fiscal year and make sure capital expenses are coded correctly. They will review projects that experience high amounts of expenditures and projects the have low or no expenditures for the year. Accountants will then follow up with project managers to ensure only active CIP projects remain in the balance at year end (Key Control 6). This is done for every project to make sure it is reasonable for the year. If a project is complete a notice of completion will be filled out and the project will be marked as a finished asset.

Removal of Surplused and Sold Assets -

When a capital asset is surplused and sold, the City is required to remove it from their books. There are a few processes that might identify something like this. During the year, when departments sell assets they are supposed to provide that information to accounting. Once a

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department informs accounting that an asset has been sold, Accounting will work to identify the appropriate asset and remove it from the books. Additionally, at year-end, accountants perform fund reviews. Part of this review involves querying the ledger account for gains and losses on sale of capital assets as all assets that are sold would have been recorded in this account. The accountant ensures the asset has been removed from the books (Key Control 7).

Removal of Upgraded/Replaced/Remodeled Assets -

The accountants make sure they know which assets have replacements and upgrades by using the year-end process of evaluating which projects in CIP need to be moved out of CIP and into a depreciable asset category. During this time, accountants scan the descriptions of projects to ascertain whether the project includes language indicating an asset is being removed (Key Control 8). When this occurs, the accountant involved makes a judgment regarding whether to find and remove the asset, or pass on it.

Machinery and Equipment -

When a Machinery and Equipment Asset is procured, it is booked in the applicable spend category within Workday. When a piece of equipment is booked to a Capital Asset spend category, Workday automatically assigns it an Asset ID. All changes to Capital Asset spend categories generate a notification in the accounting team's work queue within Workday which prompts them to review the change. City Accountants then review the item coded to the Capital Asset spend category and the attached invoice to determine whether the item was correctly coded as a Capital Asset (Key Control 9). From the notification in their Workday work queue, the Accounting team is able to register the item as a Capital Asset, or, if the item was incorrectly assigned to a Capital Asset spend category, they are able to reclassify it to the correct Asset spend category or expense it. Additionally, as part of the year end process, the Accounting Manager reviews all Capital Asset spend categories for balances over \$5,000, which is the City's floor for Capital Assets, to ensure all Capital Assets are recorded correctly and do not include any miscoded items.

Depreciation

Depreciation expense is calculated using the straight-line method for all assets, which does not differ from Workday. Although a new software system (Workday) is being used to calculate depreciation expense, Michael Anderson, Accountant, informed us that depreciation expense is being calculated in the same way as it was in Oracle. At the end of the year, Michael ran depreciation expense for all assets and performed extensive testing to ensure depreciation for assets was calculated correctly. Ultimately, Workday performs the calculation for depreciation expense for all assets based on user inputs. (Control 8)

During prior audits we have noted a weakness within the City's assigning of useful lives for assets as they did not agree with the actual or estimated operational activities for some assets. Additionally the City does not have a process in place to periodically reassess the estimate to ensure lives assigned are reasonable and make any necessary adjustments. In the past, this has resulted in material errors. Furthermore, in past years, we have had several conversations with management who are aware of the issue and stated the City is planning to address with the new GL software implementation in FY19. During the current year, some action was taken to re-evaluate useful lives. Accountants reviewed individual assets that were about to become fully depreciated in 2019 or the next few years and inquired with operational staff regarding whether these assets were going to be used past their useful life date. (Control 9) We found that when we reviewed capital assets, there were still several asset categories that need to be re-evaluated for appropriate useful lives because each of these asset types is nearly fully depreciated, but many assets are still in service, including all of the following:

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- Governmental
 - Intangible assets
- Business-type
 - Machinery and equipment
 - Intangible Assets
 - Other Improvements

We have identified the following key controls:

KC #1 - Each project's costs for assets like Infrastructure and Other improvements are valued using actual invoice values or other equivalent support to demonstrate that the cost has actually been incurred and to support the amount booked in the GL (Existence).

KC #2 - The accounting department reviews closure memos when a project is finished to determine the costs allocated to each asset (Rights and Obligations).

KC #3 - The accountants will perform a reconciliation before infrastructure assets are booked, and will follow-up with project managers to determine causes for any differences to ensure all costs are capitalized (Existence).

KC #6 - Accountants follow up with project managers to ensure only active CIP projects remain in the balance at year end (Classification).

KC #7 - As part of the year-end fund review the accountants review the ledger account for asset sales to identify assets that should have been removed from the books (Existence)

KC #8 - The accountants make sure they know which assets have replacements and upgrades by using the year-end process of evaluating which projects in CIP need to be moved out of CIP and into a depreciable asset category. During this time, accountants scan the descriptions of projects to ascertain whether the project includes language indicating an asset is being removed (Classification).

- We identified the following control weakness:

The City does not have a consistent process for ensuring that all projects or assets that replace another asset are removed from the books. The City did not update this control from the prior audit that demonstrate this control weakness due to a challenge in identifying and removing the correct amount of the asset. In the prior audit, it was noted that in some cases the City did not remove an asset due to Public Works not informing Accounting that there was a replacement due to a difference in understanding between the departments.

KC #9 - City Accountants review the item coded to the Capital Asset spend category and the attached invoice to determine whether the item was correctly coded as a Capital Asset (Existence/Classification)

2. Confirm Understanding:

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Each project's costs for assets like Infrastructure and Other improvements are valued using actual invoice values or other equivalent support to demonstrate that the cost has actually been incurred and to support the amount booked in the GL. (Key Control 1). (Existence)

We reviewed PRJ100337 TRN - SE Tech Center Dr Bike Detection and Traffic Calming on SE 168th Ave which was an addition to governmental infrastructure in the current year. From this project, we drilled into the detail transactions and selected a \$90,077.32 SINV-29648 invoice with Halme Excavating Inc dated 5/5/2021. We found the amount booked in Workday was supported by an actual invoice from the vendor, supporting both the existence and valuation of the asset. **This control appears to be in place.**

The accounting department reviews closure memos when a project is finished to determine the costs allocated to each asset (Key Control 2). (Rights and Obligations)

We reviewed the closure memo for PRJ100409 WTR - Daniels St - 27th to 33rd. We noted in the closure memo that there is a breakdown of each asset and the costs associated with each asset. Pipes are broken down by size and type, with the length determining the cost. The total project cost is included, which ties to the sum of the assets in the closure memo and the project cost in Workday. We tied the individual asset costs in the closure memo to the costs reported in Workday as well. **This control appears to be in place.**

The accountants will perform a reconciliation before infrastructure assets are booked, and will follow-up with project managers to determine causes for any differences (Key Control 3). (Existence)

We reviewed a reconciliation of governmental infrastructure assets provided by Cyndi Turner for PRJ033443 that was closed in FY 2021. Cyndi explained that if the operating books are higher than GAAP books, the accountants go with a conservative approach and use the lower value. Additionally, some costs shown on the reconciliation are not part of the final asset costs and do not automatically flow through from the operating books to the GAAP books. The accountants have to make journal entries to bring these costs into CIP, but in some instances not all costs should flow to the project. In her reconciliation, she noted the items that are left out of the final asset cost. We reviewed the items in the operating book not posted to the GAAP book, and noted that it consisted of payroll overhead re-allocation that involved no cash movement, interfund transfers for budget to actuals, and procurement card transaction verifications. We reviewed the project in Workday, and confirmed that the closing memo and cost of the project tied to the reconciliation provided by Cyndi. **This control appears to be in place.**

Accountants will then follow up with project managers to ensure only active CIP projects remain in the balance at year end (Key Control 6). (Classification)

We obtained email correspondence between Cyndi Turner and Tyler Clary about 2021 construction in progress items. Sent on 12/28/21, Cyndi inquired with Tyler for six projects on whether or not if they will be in use, substantially complete, or fully complete by year end. We can see Tyler's response to Cyndi, stating that four out of the six projects had closure memos issued, and should be moved out of CIP. We also had email correspondence between Cyndi Turner and Rebecca Kennedy about construction in progress items in fund 336 at 2021 year-end. Cyndi inquired on a list of projects in the fund, and further emails show that Rebecca responded with an updated spreadsheet of projects for Cyndi. **This control appears to be in place.**

As part of the year-end fund review the accountants review the ledger account for asset sales to identify assets that should have been removed from the books **(Key Control 7)** (Existence)

On 7/26/22, Cyndi provided us a copy of her fund review for the fund 343 (Parks Construction Fund) and highlighted the GL codes she queried to

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determine if any assets were sold. We found that there were multiple comments regarding the activity within the fund that demonstrate Cyndi used and analyzed this information for review of capital asset sales. Additionally, we received a copy of the fund review for fund 330 (Transportation), performed by Erin Jacobson, Accountant. Both fund reviews had analyses of transactions within each fund, with the ledger accounts and revenue categories shown. Cyndi provided us with the information that each expenditure will have an associated project code, which helps the Accountants identify a CIP project versus a completed project. The fund reviews also broke down the balances in the 56**** accounts for capital projects in separate tabs evaluate each projects' costs. **This control appears to be in place.**

The accountants make sure they know which assets have replacements and upgrades by using the year-end process of evaluating which projects in CIP need to be moved out of CIP and into a depreciable asset category. During this time, accountants scan the descriptions of projects to ascertain whether the project includes language indicating an asset is being removed. (Key Control 8) (Classification)

We inquired with Cyndi Turner, Accounting Manager, via Teams on 7/26/22 to understand this process be walked through how assets being moved in/out of CIP. Cyndi verified that the accountants scanned through projects and reviewed closure memos to identify those which should be considered as a possible replacement of an existing asset. The accountants also will perform inquiries with project managers on assets where the initial information is not clear. Cyndi provided us an example of a closing memo that the accountants would look at and explained that they look at both the asset description and the asset name, paying close attention to the language used. We obtained a closing memo for PRJ083749 - Y St. E 32nd St. to E 35th St. that was placed in service on November 5th, 2021. Cyndi showed us how the information for the assets that are to be capitalized are given on the face of the closing memo, along with information that indicates the disposal of an asset. This memo noted abandoned assets. We considered the walkthrough of Cyndi's process in conjunction with evidence that projects were being evaluated sufficient for confirmation of the control. **This control appears to be in place.**

- We identified the following control weakness: Capital Assets

The City does not have a consistent process for ensuring that all projects or assets that replace another asset are removed from the books. The City did not update this control from the prior audit that demonstrate this control weakness due to a challenge in identifying and removing the correct amount of the asset. In the prior audit, it was noted that in some cases the City did not remove an asset due to Public Works not informing Accounting that there was a replacement due to a difference in understanding between the departments.

City Accountants review the item coded to the Capital Asset spend category and the attached invoice to determine whether the item was correctly coded as a Capital Asset. (Key Control 9) (Existence/Classification)

We conducted a walk through of the process of Capitalizing a M&E Asset with Cyndi Turner, Accounting Manager, via Teams meeting who used the Asset BA-2726 to demonstrate the process. We noted that the code to the Capital Asset spend category was in her work queue, and observed as she reviewed the attached supplier invoice and demonstrated how she capitalizes the asset within Workday. **This control appears to be in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

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4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PR.G - GAAP

Procedure Step: Payroll Disbursements

Prepared By: KH, 8/4/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Material Balance(s) and Assertion(s):

Material balances were determined within our FY 2021 Material balances & Analytical. For the balances being tested, the Assertion is **Rights & Obligations**.

1. Gain an Understanding of Internal Controls

Key Personnel

Vanessa Jordan, Payroll Manager

Cyndi Turner, Accounting Manager

Control Understanding

When a new employee is hired, the IT department creates a Workday log-in for them. New employees then go into their account and enter their own direct deposit information into the system. If there is a problem with the information that an employee enters, the Payroll department has access to that part of employees' accounts to correct that information. If a change is made to an employee's Workday account information,

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Workday will automatically send the employee an email to notify them of the change.

The city employs two employee types: exempt and non-exempt. Exempt employees do not have to complete a timecard and are exempt from earning overtime. Non-exempt employees are overtime eligible and must complete a timecard documenting hours worked. Exempt and non-exempt status is tied to the job profiles in Workday.

The City uses three different software programs for tracking employee hours. Telestaff is used by the Police and Fire Departments due to its robust scheduling system. Hansen is used by the Public Works employees due to its ability to track time and usage of machinery and vehicles. TeleStaff and Hansen interface with Workday through an integration process, time card data and information is exported from Telestaff and Hansen, imported into a staging module within Workday where it is then uploaded into the Workday payroll module. This process is performed by the Time Keeper for the Police and Fire Department or by the Analyst for the Public Works Department. The third software program used is Workday, all other staff codes time directly into Workday. Non-exempt employees, that are not within the Police and Fire Department or Public Works Department, enter their hours into the "Enter Time for Worker" screen in Workday, online timecard.

At the end of the pay period, the employee will submit their hours for approval. All time cards are reviewed and approved by the employee's supervisor prior to being submitted to Payroll for payroll processing to ensure the time charges were legal obligations of the City (Control 1). For each pay period, there is a specific due date and time that this process must be completed by. This process ensures that timecards are completed and certified by the employee and then approved by their supervisor. Payroll is automatically processed and posted in the month that the payroll occurred in and the month is not closed out until all payroll is been processed this ensures that payroll is complete and occurred within the correct period.

Identified Key Controls

1. All time cards are reviewed and approved by the employee's supervisor prior to being submitted to Payroll for payroll processing to ensure the time charges were legal obligations of the City. (Rights & Obligations)

2. Confirm Understanding

1. All time cards are reviewed and approved by the employee's supervisor prior to being submitted to Payroll for payroll processing to ensure the time charges were legal obligations of the City. (Rights & Obligations)

We reviewed the time entry into Workday for Jerry Johnson for the period ending 7/15/21. We identified their manager as Eric Schadler. We reviewed the approval history for the pay period and noted that the time entry was approved by Eric Schadler on 7/16/21. **This control appears to be in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be

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effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: AP Disbursements

Prepared By: KH, 8/4/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Material Balance(s) and Assertion(s):

Material balances and assertions were identified within our FY 2021 Material balances & Analytical. The relevant assertions are **Rights & Obligations**.

1. Gain an Understanding of Internal Controls

ID of goods or services:

All purchases must be entered as a requisition, with the exception of Direct Pay items and P-Card items (see Invoice Only Items below).

Purchasing requests originate by departments in the form of a requisition within Workday, including the description, quantity, price, requestor, ship to, supplier, and budget number. If the supplier is not already set up in Workday, then the department has to contact Procurement to set the new vendor in Workday. Once the supplier is in the system, Workday checks to make sure that the budget line item entered on the requisition has enough remaining budget to process the requisition. They get an "Insufficient Budget" message if there is not sufficient budget. It will go the

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requesting department's budget analyst and the budget department. They work together to figure out approval. If there are sufficient funds, the requisition is electronically forwarded to the Approver in the department for their review and approval. When a requisition is entered into Workday, cost center and fund are auto-populated based on the default of the person entering the requisition. These can be updated by the person entering the requisition. They also select the spend category. **Department analysts review their department's requisitions to make sure purchases are associated with the correct code (Key Control #1 - Right & Obligation).** Once the requisition is submitted it is routed through the approval process:

- Department budget analyst
- Cost Center manager
- Project/Grant Manager, if applicable (selection of Project/Grant spend category)
- IT, if applicable (selection of IT spend category)
- Procurement

- Approval of Requisition:

Once the approver reviews the requisition, they can approve it. If tied to supplier contract, the system generates a PO. If not supplier contract, then procurement creates the PO. Only the Procurement department can authorize a PO. In Workday, you can enter a requisition for any cost center and fund, however, approval follows that cost center and fund by going to its Budget Analyst. In Workday, each Department Budget Analyst is assigned to their own cost center. Any requisition submitted, using their cost center, will be routed to that Budget Analyst for review.

- Generate the PO: Once the requisition is approved, it is reviewed by Procurement. They review the contents of the requisition, including eligibility for PO, Quotes/bids/council approval, existing contract PO, description, and tax code. If there is an existing contract PO, then they tie the current PO to the contract PO #. If not, they approve the PO. Again, if there is an insufficient budget message, they forward the request to the budget department for their review. If no error message appears, the buyers can approve a purchase up to \$35,000. If the purchase is over this threshold, it is forwarded to the Procurement Manager for approval. Upon approval by procurement, the department(s) receive an alert saying their PO(s) have been approved. The Vendor will receive notification via mail or email (preference determined during initial set-up). AP staff do not have the ability to alter any part of a PO in Workday (this includes accounting codes) due to security limitations within the system based on user access rights. The only people that can alter a PO are the procurement staff as they are the users that have been assigned the responsibilities to enter and modify a PO.

- Supplier Invoice Creation:

Beginning in September 2019, the City made it the responsibility of the Departments to enter in their own invoices into Workday. Invoices are sent directly to the departments. For Invoice Only items and PO-based invoices, the Department completes a supplier invoice request in Workday which includes manually entering key information from the invoice into Workday and attaching a scanned copy of the invoice. They submit the supplier invoice request which first goes to the Department budget analyst for review and approval. More than one approval could be required depending on the coding for the invoice. **Once the supplier invoice request has been approved by the Department budget analyst, it is forwarded to AP for review and approval. AP reviews and compares the information in the supplier invoice request to the**

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attached invoices, requisition/PO if applicable, and performs a tax roll check for use tax; this process ensures accuracy and consistency of information between physical invoices and Workday (Key Control #2 - Right & Obligation), after AP reviews and approves the supplier invoice request, the supplier invoice is created in Workday and is ready to be processed for payment.

P-card Transactions:

The authorized limit of P-Cards is typically \$5,000 with some cards having higher limits on an exception basis. P-cards may not be used for personal items and has a restrictive list of items. P-cards are issued by a department head sending a request to Procurement. Each P-card holder must sign an agreement stating that they agree to the rules and policies of P-cards and attend training on how the P-card will be used. PNC sends a daily download and it automatically downloads into Workday. Workday receives the daily transactions from PNC and notifies the cardholder that they need to substantiate and start a p-card report for the expense that was purchased on their card. Within Workday, the employee will complete the proper form (travel, local mileage, p-card, etc.) and complete the coding of the transaction. The employee attaches a scanned copy of the receipt or other documentation and submits it to their pre-assigned supervisor. **The cost center reviews the justification, expense allocation, and attached documentation to determine if it was an allowable and supported purchase, if yes; the supervisor does an electronic approval which sends it on to AP for high level review and then payment (Key Control #3 - Rights & Obligation).**

Year -end Process:

The city has processes to make sure every department is aware of year end procedures. An email is sent out to all department heads detailing deadlines to make sure everything is in Workday, and being accounted for. **Invoices related to 2021 that are paid from January-March are entered into Workday using the work tag "Prior Year Expense." This work tag allows the accounting department to identify which expenses to accrue back to 2021, which they do by processing a manual journal entry (Control #4 - Completeness).**

Invoices approved before the 10th do not need to be marked as "Prior Year Expense" because the Treasurer closes the period on the 10th, and prior to that expenses are automatically posted to the prior period.

Accounting will run an "all transitions report" from Workday and reviews for prior year's expenses and will create journal entries to accrue the expenses to the correct period. The report is ran again before period closing to ensure that all items are captured. The entries are normally reversed automatically, but accounting will run the "all transactions" report January, February, and March, to identify any material expenses that would need to be accrued back.

Identified Key Controls:

1. Department analysts review their department's requisitions to make sure purchases are associated with the correct code (Key Control #1 - Right & Obligation).
2. Once the supplier invoice request has been approved by the Department budget analyst, it is forwarded to AP for review and approval. AP reviews and compares the information in the supplier invoice request to the attached invoices, requisition/PO if applicable, and performs a tax roll check for use tax; this process ensures accuracy and consistency of information between physical invoices and Workday (Key Control #2 - Right & Obligation)

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3. The cost center reviews the justification, expense allocation, and attached documentation to determine if it was an allowable and supported purchase, if yes; the supervisor does an electronic approval which sends it on to AP for high level review and then payment (Key Control #3 - Rights & Obligation).
4. Invoices related to 2021 that are paid from January-March are entered into Workday using the work tag "Prior Year Expense." This work tag allows the accounting department to identify which expenses to accrue back to 2020, which they do by processing a manual journal entry (Control #1 - Completeness).

2. Confirm Understanding

1. Department analysts review their department's requisitions to make sure purchases are associated with the correct code (Key Control #1 - Right & Obligation).

We reviewed the invoice number 11912 from Del Sol Inc on 5/31/2021 for Janitorial Services at City-owned buildings. We reviewed the process history tab for the payment and noted that the Review Supplier Invoice step was approved by Patrick Murphy, Procurement Specialist. **This control appears to be in place.**

2. Once the supplier invoice request has been approved by the Department budget analyst, it is forwarded to AP for review and approval. AP reviews and compares the information in the supplier invoice request to the attached invoices, requisition/PO if applicable, and performs a tax roll check for use tax; this process ensures accuracy and consistency of information between physical invoices and Workday (Key Control #2 - Right & Obligation)

We reviewed the invoice number 11912 from Del Sol Inc on 5/31/2021 for Janitorial Services at City-owned buildings. We reviewed the process history tab for the payment and noted that the transaction was approved by Donna Lynch, Senior Accountant. **This control appears to be in place.**

3. The cost center reviews the justification, expense allocation, and attached documentation to determine if it was an allowable and supported purchase, if yes; the supervisor does an electronic approval which sends it on to AP for high level review and then payment (Key Control #3 - Rights & Obligation).

We reviewed transaction verification PC-17554 for P-Card holder Carrie Niskanen. We noted that the packet contained 11 transactions. We also noted that the support for all transactions was included in the attachments tab within Workday. We reviewed the Process History tab and noted that the packet was approved by the Cost Center Manager, Aaron Lande, as well as Donna Lynch from the Accounting Department. **This control appears to be in place.**

4. Invoices related to 2021 that are paid from January-March are entered into Workday using the work tag "Prior Year Expense." This work tag allows the accounting department to identify which expenses to accrue back to 2021, which they do by processing a manual journal entry (Control

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#1 - Completeness).

We ran an all transactions report for all funds with the GL Account Code 540000 - Services and judgementally selected SINV-37889 which was marked as a prior year expense for \$10,175. We reviewed the invoice and noted that it was dated 12/31/21 for services provided in December 2021. We confirmed this expense was accrued back to FY 2021 correctly. **This control appears to be in place.**

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

IF NOT APPLICABLE: Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

H.1.PRG - GAAP

Procedure Step: Utility Billings
Prepared By: SMM, 6/22/2022
Reviewed By: GTW, 8/5/2022

Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

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Charges For Services (Water/Sewer) \$124,310,850 (Completeness/Occurrence/Valuation)
Receivables (net) accounts (Water/Sewer) \$19,514,173 (Completeness/Existence)

1. Gain an Understanding of Internal Controls

Key Personnel:

Amy Sorenson, Utility Administration Manager
Jinny Jones-Williams, Utility Service Supervisor
Nick Imbery, Engineering Technician
Kevin Smithline, Engineer

We spoke with Amy Sorenson to update our understanding over Utility revenues.

Billings

- The billing process begins when a customer calls and speaks with a customer support representative and requests water, sewer, and/or storm drainage services. New meters are approved and installed through the Development Review Services (DRS) department.
- All new meters are set-up in the billing system at the time of installment by a non-cashier accountant of the Utility Department. If the account already has a meter, which is being transferred to a new owner the City collects a small new account fee according to the established ordinance.
- For new customers with established meters at residences or business locations, the customer can either walk-in or phone a customer service representative. The customer service representative schedules a final reading for the former customer. The customer is assigned an account number and is set up on either monthly or bi-monthly billing.
- The service area covered by the City is separated into geographical locations and types of accounts (ie: residential or commercial). Each geographical area is assigned a route number and is set up on a rotation to be billed on a monthly/bi-monthly basis. Most accounts are billed bi-monthly with some commercial and multi-family accounts are set up to be billed monthly.
- The City contracts with MeterReaders Inc to perform the meter reading on behalf of the City. A text file containing the route information including the updated customer lists is sent to MeterReaders Inc via e-mail. The routes are generally read every other month, however the accounts that are billed monthly are read monthly.
- The meter reads are converted into a text file that MeterReaders Inc sends to the City through e-mail. The file is then uploaded into the Hansen system and the readings are edited and proof reports are generated flagging system auto detected errors which are indicated through color coding. This report is generated electronically within the Hanson system. Any flagged accounts must be resolved prior to moving forward in the billing process. Once the account has been resolved, it is removed from the report. These electronic reports show the current usage amount and past month usage amount to provide a basis for comparison. The billing clerk reviews the color coded reports electronically and follows up on flagged accounts to ensure information is accurate and usage occurred during the billing period. Accounts are flagged as red if there was a zero read, negative usage, usage 200% of the previous read, or if the read was not done because the meter was inaccessible. The billing clerk goes through each flagged account's profile including historical read data and log history. This is used to determine whether a service request needs to be submitted. If nothing

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looks out of the ordinary, the billing clerk approves the bill; if a service request is needed, the billing clerk creates a service request form through Hansen, prints it out, and sends it to the inspectors who then go on-site for inspection. Accounts flagged red include the following:

1. Unusually high or low reads- the billing clerks check to see if an account usage had changed drastically from the prior billing cycle, taking into account season differences (more usage in the summer, less in the winter)
2. Usage reads for new accounts/closed accounts- the billing clerks can create new accounts and uses the County's property information website to determine the name of the owner on the account using the address.
3. Changed meter reads- billing clerks check to see if a meter has been changed out from the previous billing cycle because if it was changed there will be no comparison from the prior month. These accounts must be reviewed to ensure the new meter was installed during the current billing cycle and is reading the usage of the customer.
4. Inaccessible meter- the billing clerks will submit a service request for in-house City staff to perform a re-read. Such as gated communities or cars parked in front of the meter box.

Once all the accounts have been reviewed, the billing clerk goes to the bill staging process within the Hansen system which is user input driven. If there is a service request for an account that needs a meter to be re-read, the billing clerk will not continue the billing process until the service request has been resolved. To continue the billing process, the billing clerk enters the route and billing date and checks the receivable box within Hansen.

The City relies on the calculation performed by the Hansen system to correctly calculate utility bills for all customers besides industrial customers based on rates entered into the system (Key Control #3). The Utility Service Supervisor and IT Coordinator are the only employees within the Utilities Dept that have the ability to update rates in the system. Rates are determined based on rate tables which are updated on an annual basis based on board approval. Whoever updates the rates for the year the other person would review the rates to ensure updates are accurate. The month after rates have been update both the Utility Services Supervisor and IT Coordinator will perform a bill recalculation for multiple bills to ensure they are accurate. This recalculation however is not documented or retained.

To actually process the bills, the billing clerk goes to the bill review option which shows a listing of all accounts that are going to be billed and the dollar amount of the bill of each account. The billing clerks sort the list and review the highest dollar amounts and the lowest dollar amounts (10 each), to ensure that those bills were calculated correctly. Once the clerks finalize the review, the bills are then sent to the printer.

The billing clerk maintains a bill review spreadsheet which tracks each route, the number of meters per route and the total amount billed per route. The billing clerk takes the information per Hansen and enters it into a spreadsheet each month to compare the data collected. The clerk reviews the spreadsheet to ensure the amount of meters does not change drastically per route each month.

Billings - Industrial Customers

The Utility Department also has a small number of Industrial customers for which it does not use an automated system to calculate the bills. There were 14 industrial customers in FY20. These bills are manually calculated by the Engineering Technician in the Stormwater/Wastewater Management department. There are two types of industrial customers: (1) lagoon users and (2) non-lagoon users

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1. Lagoon Users- monthly City lab technicians collect samples at each discharger (discharging to lagoon). The samples are then analyzed in the laboratory for specific pollutants. Once the analysis is complete, the lab technician compiles the data and sends a report to the City's Wastewater Engineering Department.
2. Non-Lagoon Users- The industrial customer fills out a form titled "City of Vancouver Industrial Wastewater Usage Report" with the monthly usage, attaches the supporting document, and sends them to the Engineering Technician.

The Engineering Technician manually calculates utility bills for industrial customers using an excel spreadsheet and supporting usage reports, lab reports, and approved rates to ensure utility bills for industrial customers are properly calculated (Key Control #4). Once the bills have been calculated they are reviewed for reasonableness by the Engineer. Once reviewed they are forwarded to the Utilities Department where one of the billing clerks inputs the bills manually into Hansen.

Once all of the bills, both the automatic and manual ones, are calculated and finalized, the bills are recognized as revenue in Hansen. Hansen takes each of these bills and tracks it separately so that the revenue detail is thorough and to ensure that all revenue recognized can be traced back to an actual customer bill, thus ensuring that all recognized revenue actually occurred.

Payments

Customers can pay their utility bills in the following manners/locations:

- In person at two locations: (1) The main office on General Anderson Rd.; and (2) City Hall (Downtown). Both locations have a drop box for after-hours payments as well.
- Over the phone either by talking to a representative or using the automated system.
- Online through the City's website
- Auto-pay
- Mail in payments through Lockbox

Utility revenue payments are receipted into the Hansen system. The receipt of the funds for utility revenues are applied to specific accounts and the receipting of this revenue adjusts the AR balance for the customer account as the revenue has already been billed.

Adjustments

Adjustments are made to accounts for various reasons. Some of the major reasons adjustments are made are that the customer had a confirmed leak, a correction of an erroneous charge on the account, a temporary discount on the account, the customer is late in their payment and receives a late fee, late fee waiver (customers receive one late fee waiver a year), or an input error occurred when the customer service representative is taking payment. We noted that all adjustments to accounts are done by JV and that if an adjustment to a customer account is needed, either the customer service staff determines the need for an account adjustment or the system determines that a late fee must be assessed to the account. Once the need has been determined, the staff prepares an adjustment slip for the adjusting entry. They document log comments for the adjustment within the system and attach the log comments and other necessary supporting documents to the adjustment slip. The adjustment slip is submitted to a Utility Services Supervisor for approval. Once the adjustment slip has been approved, the adjustment is given to a billing

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clerk who prepares the JV which is then routed to the Customer Service Representative to post in Hansen. Adjustments that are more than \$500 must be approved by the Utilities Manager. The Utilities Manager reviews the support, approves the adjustments, and returns the adjustments to the Customer Service Representative to post to the accounts within Hansen. Adjustments can only be made by restricted operators through an password-restricted Operator IDs. JVs to support the adjustments made are retained in the office for two years and then archived where they are maintained for an additional five years.

Reconciliation Between Hansen & Workday

We spoke with Anna Diaz, Accountant who performed the reconciliation between Hansen & Workday for 2021. Hansen sends a batch of all transactional data for each day to Workday. We noted that Workday went live on 4/1/2019. The Accountant performed a daily reconciliation of all accounts receivable activity between Hansen and Workday after fiscal year end (Key Control #1). This involved running daily reports within Workday for ledger account 122100 for each fund that has utility billings. He also ran daily reports within Hansen that detailed the beginning A/R balance, amounts billed, payments received, any adjustments made and the ending balance. These daily reports were then compared to each other via an excel spreadsheet. The majority of daily variances were trivial and due to timing. Large variances were researched and corrected with the main cause being a batch not transferring into Workday correctly.

Year-End Revenue Accrual

Erin Jacobson, Accountant, performed an analysis of utility revenues to determine which period the revenue was earned in and performed a year-end accrual entry (Key Control #2). As utility billings are on an every other (2 month) basis, the accountant obtained utility bills for the first 62 days (1/1 to 3/4) for both 2020 and 2021 that shows the amounts billed and the current and prior meter reading date. This report was provided in Excel with each year being it's own spreadsheet. Water is the only utility that is billed based on consumption, therefore this is the only utility type analyzed for the year-end accrual entry. A calculation was used to compare how many days in the billing cycle for each bill were attributable to each year by computing the number of days in the billing period that were in the prior year divided by the total number of days in the billing period (or between readings). This percentage was then multiplied by the total amount billed to determine the revenue attributable to the prior period. The total amount billed in 2020 that was attributable to 2019 was subtracted from the total amount billed in 2021 that was attributable to 2020 to determine the net effect on 2020.

Key Controls Identified:

- 1) The Accountant performed a daily reconciliation of all accounts receivable activity between Hansen and Workday after fiscal year end.
- 2) The Accountant, performed an analysis of utility revenues to determine which period the revenue was earned in and performed a year-end accrual entry.
- 3) The City relies on the calculation performed by the Hansen system to correctly calculate utility bills for all customers besides industrial customers based on rates entered into the system.
- 4) The Engineering Technician manually calculates utility bills for industrial customers using an excel spreadsheet and supporting usage reports, lab reports, and approved rates to ensure utility bills for industrial customers are properly calculated.

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2. Confirm Understanding

1) The Accountant performed a daily reconciliation of all accounts receivable activity between Hansen and Workday after fiscal year end.

We obtained the spreadsheet for July 2021 reconciliation from the Accountant. We noted rows for each day of the week, and funds that had revenue activity in that day. We noted multiple columns with the heading "Amts per Wk Day - Acct Inq., GL 122100", and multiple columns with the heading "Amts per Hansen Daily Transactions Listing". On the spreadsheet, we reviewed cells and confirmed many were hard coded, or hand keyed in, indicating manual entry and review. We also identified a column at the end of spreadsheet labeled "Workday to Hansen Total Activity Difference", which was a calculation of the variances between the two programs. It appears the control is in place.

2) The Accountant, performed an analysis of utility revenues to determine which period the revenue was earned in and performed a year-end accrual entry.

We obtained the spreadsheet used to perform the utility revenue analysis from the Accountant. We noted tabs which listed each revenue billing in the period. The dates used for the analysis were January 1, 2022 through March 4, 2022. In this spreadsheet at the top we noted a reasonableness check which referenced customer account increases per Shannon Turk which meets our expectation since she was the individual we obtained customer count reports from. Within the spreadsheet it identified the amount of revenue to accrue in the current period. It appears the control is in place.

3) The City relies on the calculation performed by the Hansen system to correctly calculate utility bills for all customers besides industrial customers based on rates entered into the system.

We confirmed this control here: [IT Control Testing - Software Calculation \(Utilities\)](#)

4) The Engineering Technician manually calculates utility bills for industrial customers using an excel spreadsheet and supporting usage reports, lab reports, and approved rates to ensure utility bills for industrial customers are properly calculated.

We obtained a copy of the July 2021 water bill for Clark Regional Waste Water from Nick Imbery, Engineering Technician. We also obtained the Nick's calculation spreadsheet and usage reports which supports the July billing. We confirmed that the total gallons of waste water per the usage report was included within the calculation spreadsheet and ultimately on Clark Regional's printed July bill. We confirmed through review of formulas within the spreadsheet that calculations were working as they should. It appears this control is in place.

3. Preliminary Control Risk Assessment

LOW - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. We will perform testing below to determine if we can place reliance on the controls.

4. Control Risk at LOW - Test Key Controls

Controls were tested in a prior audit where we determined that controls were operating effectively – see 07vancouver-ac19-sa19 for details. Based on our review of the prior audit control testing and consideration of other COSO elements documented in the "Entity-wide COSO

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Evaluation” step, we determined that it is appropriate to rely on prior audit work:

- We verified that controls have not changed significantly since they were last tested, as documented in step 1 and 2.
- The system is not related to a significant risk.
- We are testing controls in the current audit for at least one other system, so that we are not relying on prior audit work for all of our control testing.
- The prior audit work we are relying on was for an audit done within the last two years.

5. Final Control Risk Assessment

LOW - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. We will place reliance on the controls, based on our control testing above.

H.1.PRG - GAAP

Procedure Step: IT Control Testing - Software Calculation (Utilities)

Prepared By: SMM, 6/22/2022

Reviewed By: GTW, 8/5/2022

Record of Work Done:

This record may contain information considered exempt from public disclosure under RCW 42.56.420 of the Public Records Act. As such, distribution of this record is limited.

1. Understanding of Automated Key Control:

Material System: **Utility Revenues**

Key Automated Control: **The City relies on the calculation performed by Hansen for the majority of utility bills based on rate tables and usage amounts which come from meter reads.**

Our understanding of the overall control is documented as part of our understanding of controls over relevant assertions for **Utility Revenues** at Utility Billings.

Our understanding of the software process controls are:

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The parameters or factors that the software uses to make the calculation - the system uses the water usage for the period to calculate the bills for water/sewer and sq ft for storm water. The water usage is obtained from meter-readers and uploaded into the system automatically. The sq ft is obtained from GIS data and entered into the system when the account is first set up (only done once). In addition, the system needs the current billing rate input into the system based on the city council approved rates. Only two employees within the Utility Department have access to make changes to the billing rate inputs in the system. When changes are made, they review each others changes to ensure that the change was accurate.

2. Key Automated Control Confirmation and Testing:

We confirmed and tested the key automated control as follows, to determine whether the software calculation correctly valued each transaction: We were provided screen shots of the rate tables set up within Hansen by Jaymie Swenson, Computer Support Specialist for all utility rates. We confirmed that all of the approved rates for all utility classes (ie: utility services and meter size) were indeed set up within the system from comparing the screenshots to the rates documented within our analytical (Utility Analytical) which pulls the rates from the City's MC. Based upon our testing, we have determined that we can rely on this automated internal control.

3. Understanding and Testing General IT Controls:

N/A since we are relying on prior year control testing.

H.1.PRG - GAAP

Procedure Step: Parking Fees & Permit Revenues

Prepared By: HB, 8/16/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

Material Balance(s): FY 2021 Material balances & Analytical

Rents and Royalties, Parking: \$3,161,956 [Short-term/On-street \(Occurrence\)](#); [Long-term \(Valuation\)](#)

1. Gain an Understanding of Internal Controls

Key Personnel

Finance Supervisor: Connie Grant

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Treasury Accountant: Joydene Lee
Parking Supervisor: Karen Kumpula
Accounting Manager: Cyndi Turner
Accountants: Anna Diaz & Erin Jacobson

Meter Revenue (short-term/on-street)

We inquired with Joydene Lee, Treasury Accountant regarding controls over meter revenues.

The City uses two types of parking meters: Paystations, which are maintained by vendors Parkeon and accept both coins and credit cards; Third-Party - Parking Kitty (Passport Parking is the parent company) which only accepts credit cards via their mobile app; and single-space meters which accept only coins.

Coin Receipting

Parking maintenance employees pick up meter receipts (coins) around the City which are immediately deposited into canisters in the mornings – typically single custody. The canisters are locked and cannot be accessed by maintenance staff. There is not a way to manually access the funds without inserting the canister into the main collection receptacle. Around midday, the collected canisters are brought to customer service who store the canisters in a secured “Balance Room” (only parking and customer service employees have access). Only Loomis has access to the key for the single coin only meter collection boxes.

For the paystation type meters, a Parking employee generates a report from the meter that outlines the revenue receipted. Upon returning to the “Balance Room,” the employee will add the collection amounts by zone and vendor (Parkeon), and prints the 10-key receipts. The Parking employee then fills out deposit bags for Parkeon meter collections by adding all coins to the bag and writing down the station number on the bag. The Parking employee logs the deposit(s) on the Customer Consignment Log. The Parking employee then brings the 10-key and paystation receipts to Customer Service for receipting. The Customer Service Rep records the revenue received based on these receipts to ensure booked revenues have actually occurred (Control 1). Copies of these receipts are also forwarded to the Parking Supervisor. Upon pickup by Loomis, the deposit bags are signed out of the Consignment Log.

Loomis deposits the parking fees at KeyBank. The Treasury Accountant collects the Loomis report that shows the verified cash and compares it to the bank deposit and then receipts the deposit into Workday. Approximately once per month, the Treasury Accountant transfers the funds from KeyBank to the City's main bank, Bank of America. ***Note: the City changed their main bank from Bank of America to JP Morgan Chase at the beginning of 2022***

The Parking Supervisor compares the route calendar, which documents which boxes are going to be collected each day, the Consignment log, which documents which boxes have been picked up by Maintenance and collected by Loomis, and the Loomis deposit report, which documents

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which boxes have been deposited and the associated amount. This ensures they are able to identify if a box does not get picked up, deposited, or goes missing, since the collection boxes contain unknown amounts of coin and do not get counted until Loomis's pickup.

Credit Card Receipting

Upon the implementation of Workday on 4/1/2019, the City set up an automated process to receipt the parking revenue from Parkeon and Parking Kitty/Passport Parking. These funds are deposited to the bank via ACH directly from the vendor. When this ACH hits the bank, Workday generates an ad hoc bank transaction and records the revenue to the GL. The Treasury Accountant performs a daily reconciliation of all bank activity, including parking revenues, to ensure they have actually occurred (Control 2).

Permit Revenue (long-term)

We spoke with Connie Grant, Finance Supervisor to gain an understanding of controls over permit revenue.

Parking permits are sold by Customer Service at the front desk. They can be purchased for full monthly periods or prorated from the start date until the end of the month, and are renewable on a monthly basis. Permits are only issued to customers based on receipt of payment. Parking permit fees are based on the adopted fee schedule. Customers are charged a pro-rated portion of the monthly fee. These rates and calculation formulas are input into a rate table in the T2 system. Multi-month parking permits are also sold and the City does accrue unearned revenue as part of the year-end process.

When there is a parking permit sale, a Customer Service Representative (CSR) selects the appropriate control Group (parking location), subclassification (i.e. individual, senior, carpool), whether it's a one-time or renewal, beginning and expiration date, etc. T2 then automatically pulls in the charge which corresponds the type of permit being issued based on the information selected (Control 3). The Customer Service Rep receipts the permit revenues within the Hansen system, which is then automatically uploaded to Workday nightly.

Accrual of Unearned Parking Revenue

We spoke to Anna Diaz to gain an understanding of controls over accrual of unearned parking revenue.

Throughout the year, Anna Diaz, a City Accountant receives monthly Flex/T2 permit sale reports from the Finance Supervisor. The monthly permit sales reports include a column for the permit expiration date. At the end of the year, the Accountant compiles the reports into a spreadsheet and filters out permits that expired in the current year. This results in a list of permits that make up the balance of unearned parking revenue. The Accountant's spreadsheet contains formulas to calculate the monthly rate for each permit and how many months should be accrued. To ensure all unearned revenues are properly accrued, the Accountant performs an analysis of unearned parking revenue at year-end and generates a journal entry to record the unearned revenue (Control 4)

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Valuation of Accounts Receivable

The City uses a weighted average to calculate the allowance for doubtful accounts. The City's aging ranges are the same for both utilities and non-utilities. Accounting staff are provided a copy of the parking aging of accounts receivable reports and review the results. The aging reports are generated by the Finance Supervisor from the T2, based on unpaid historical reports, and the external A/R System Power Park System. Based on this review, the City Collection Policies are applied and the valuation of accounts receivable is generated for each receivable balance. These collection policies require the establishment of an *allowance for doubtful accounts* per the percentage of aging categories method as follows:

- 0-30 Days Past Due, 1%
- 31-60 Days Past Due, 2%
- 61-90 Days Past Due, 2%
- 91+ Days Past Due, 4%
- 120+ Days Past Due, 20%

At the end of the year, accounting staff use a spreadsheet to estimate the allowance for doubtful accounts and makes an entry to adjust the receivable. This is a contra account which reduces the balance of the AR account. The spreadsheet has many formulas and tabs, and is updated each year to calculate the amount of entry. Erin Jacobson, City Accountant, will update the spreadsheet with the appropriate year's information and create a JE based on the results. It is then reviewed for accuracy by the Accounting Manager. (Control 5)

Key Controls Identified:

1. The Customer Service Rep records the revenue received based on these receipts to ensure booked revenues have actually occurred (Occurrence).
2. The Treasury Accountant performs a daily reconciliation of all bank activity, including parking revenues, to ensure they have actually occurred (Occurrence).
3. T2 then *automatically* pulls in the charge which corresponds the type of permit being issued based on the information selected (Valuation).
4. To ensure all unearned revenues are properly accrued, the Accountant performs an analysis of unearned parking revenue at year-end and generates a journal entry to record the unearned revenue. (Valuation)
5. Erin Jacobson, City Accountant, will update the spreadsheet with the appropriate year's information and create a JE based on the results. It is then reviewed for accuracy by the Accounting Manager. (Valuation)

2. Confirm Understanding

1. The Customer Service Rep records the revenue received based on these receipts to ensure booked revenues have actually occurred (Occurrence).

We obtained the Parkeon Collection Results report for October 2021. It lists the separate meters and the total amount received from each meter. We judgementally selected the meter with the largest collection amount - Meter Code 41100600 which had a collection of \$455.25 on 10/18/21.

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We obtained the pay station deposit bag slips for October and identified the selected collection within the deposit that was prepared for Loomis. We then reviewed the Loomis Customer Deposit report for 10/18/21, which included our selected amount, that is associated with the Ad hoc bank transaction number 12609 (AHBT-00012609) dated 10/18/2021 within Workday. This Loomis Customer Deposit Report agrees to the revenue receipted within Workday on 10/18/21. **This control appears to be in place.**

2. The Treasury Accountant performs a daily reconciliation of all bank activity, including parking revenues, to ensure they have actually occurred (Occurrence).

We reviewed the October 2021 check register spreadsheet and noted that the City received \$17,424 in their Key Bank account on 10/18/21 which ties to the total deposit amount recorded on the Loomis report. We also identified this deposit on the Key Bank October statement. We used the COV - Find Ad Hoc Bank Transactions report within Workday using the 4-Key WA Depository bank account and Ad Hoc Bank Transactions journal source originated by Joydene Lee in October to identify the entry into Workday. We confirmed that this amount was receipted into the GL on 10/18/21 with AHBT-00012702. We reviewed the October reconciliation completed in the KeyBank Recap tab of the check register spreadsheet which had a difference of \$0. **This control appears to be in place.**

3. T2 then *automatically* pulls in the charge which corresponds the type of permit being issued based on the information selected (Valuation). We documented the confirmation of this IT Control at [IT Control Testing - Parking Software Calculation](#). Within, we noted that all permits tested were charged for the correct amount based on the area and type of permit. **This control appears to be in place.**

4. To ensure all unearned revenues are properly accrued, the Accountant performs an analysis of unearned parking revenue at year-end and generates a journal entry to record the unearned revenue (Valuation)

We had Anna Diaz, Accountant, walk through their year end accrual process over video call so we could see how the monthly reports were entered into the Accountant's analysis spreadsheet. They filtered the spreadsheet to exclude permits that expired in 2021. We noted one permit that expired on 1/6/22 that the Accountant did not include in the accrual amount because the amount was trivial. The City had a total of 995 prepaid permits at the end of 2021 making up \$150,175. We reviewed JE-00016972 which recorded the unearned parking revenue for FY 2021. **This control appears to be in place.** *We noted an error in the posting of this JE in FS preparation.*

5. Erin Jacobson, City Accountant, will update the spreadsheet with the appropriate year's information and create a JE based on the results. It is then reviewed for accuracy by the Accounting Manager. (Valuation)

We had Erin Jacobson, Accountant, walk through their year end Non-Utility Allowance Entry calculation spreadsheet over video call so we could see how the year end adjustment was calculated. We noted that the aging reports for parking were received from the Finance Supervisor and entered into the 5c. Parking tab. We noted that key figures for the 491 Power Park System line of the 6. Summary tab were being pulled by the spreadsheet from the 5c. Parking tab. We reviewed JE-00016857 which recorded the adjustment for allowance for doubtful accounts for FY21 and tied the Parking adjustment to the spreadsheet calculation without exception. We can also see that this JE was created by Erin Jacobson and approved by Cyndi Turner, Accounting Manager. **This control appears to be in place.**

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3. Preliminary Control Risk Assessment

LOW - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. We will place reliance on the controls, based on our control testing above.

4. Control Risk at LOW - Test Key Controls

Controls were tested in a prior audit where we determined that controls were operating effectively – see 07Vancouver-AC20-SA20 for details. Based on our review of the prior audit control testing and consideration of other COSO elements documented in the “Entity-wide COSO Evaluation” step, we determined that it is appropriate to rely on prior audit work:

- We verified that controls have not changed significantly since they were last tested, as documented in step 1 and 2.
- The system is not related to a significant risk.
- We are testing controls in the current audit for at least one other system, so that we are not relying on prior audit work for all of our control testing.
- The prior audit work we are relying on was for an audit done within the last two years.

5. Final Control Risk Assessment

LOW - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. We will place reliance on the controls, based on our control testing above.

H.1.PRG - GAAP

Procedure Step: IT Control Testing - Parking Software Calculation

Prepared By: HB, 8/22/2022

Reviewed By: GTW, 8/31/2022

Record of Work Done:

1. Understanding of Automated Key Control:

Material System: [Parking Permit Revenue](#)

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Key Automated Control: T2, City's parking management system automatically pulls in the charge which corresponds the type of permit being issued based on the information selected.

Our understanding of the automated control is documented as part of our overall understanding of controls over relevant assertions for Parking Permit Revenue Parking Fees & Permit Revenues.

2. Key Automated Control Confirmation and Testing:

We confirmed and tested the key automated control as follows, to determine whether the software calculation correctly valued each transaction.

We reviewed the City's adopted 2021 parking permit rates obtained from the City's official website and the approved rates from Connie Grant, Finance Supervisor. We confirmed that the official rates provided by Connie tied to the rates used in the software. The table for January 2021 rates is shown below:

Lot/Type	Rate
On Street - Regular	\$70
On Street - Car Pool	\$50
Lot 1 - Regular	\$80
Lot 1 - Senior Disc	\$70
Lot 1 - Senior Disc Dev	\$50
Lot 2 - Reserved	\$95
Lot 2 - Senior Dis Dev	\$50
Lot 11 - Reserved	\$95
Lot 11 - Senior Dev	\$50
Lot 18 Garage - P1/P2	\$100
Lot 18 Garage - P3	\$115
Lot 18 Garage - Senior Disc	\$90
Lot 18 Garage - Senior Dev	\$50

We noted rates vary based on the customer classifications and parking locations. Kevin Heitz, IT Systems Analyst, walked us through the T2 system and demonstrated the process for parking permits and rates. We confirmed the following:

When a sale occurs, a Customer Service Rep enters the effective and expiring dates of the permit that the customer wants to pre pay for. The system automatically calculates the number of days based on the dates entered and then it calculates the fees by multiplying the # of days by

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the corresponding pre-entered daily rate. These daily rates are calculated and pre-entered into T2 system by Kevin Heitz, System Analyst or an assigned IT staff. These daily rates are rounded to the nearest hundredths. We followed a walkthrough of the daily rates in T2 with Kevin, and confirmed that the daily rate calculation is the monthly rate divided by 30 days. Additionally, in our testing we used daily rates to test prorated permits. Kevin also walked us through the renewal process for parking permits, which can range from 1-6 month renewals at a time. The prices all reflect the daily rate, multiplied by 30 days for one month and multiplied again for subsequent months.

Our permit testing is here: [Permit Testing](#) We randomly sampled for 29 permits, and recalculated revenue based on the location of the permit and the given rate. We tested prorated permits as well, and confirmed the software's calculations of revenue for each permit, noting no concerns. **It appears the control is in place.**

3. Understanding and Testing General IT Controls:

N/A - We are testing on controls from the prior year audit.

H.1.PRG - GAAP

Procedure Step: Impact Fees
Prepared By: HB, 7/15/2022
Reviewed By: GTW, 8/24/2022

Record of Work Done:

Material Balance(s) and Assertion(s): [FY 2021 Material balances & Analytical Charges for Services](#)

Park Impact Fees: \$3,574,567 ([Valuation](#), [Occurrence](#))

1. Gain an Understanding of Internal Controls

We spoke with Kristin Lehto, Permit Center Supervisor, to gain our understanding over School and Park Impact Fees. The City uses INFOR (Hansen) software for permit services. School and Park impact fees are only levied against residential construction. For single family residences, the fees are added at the time of permit intake/creation within INFOR. For multi-family residential construction, the fees are added after the permit review process in INFOR. All permitting fees, including impact fees are collected by Community and Economic Development (CED) staff prior to the permit being issued (Key Control #1 - Occurrence). We noted that single residential permits begin with RES and multi-family

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residential permits begin with CMI.

The charges for impact fees are set in the Vancouver Municipal Code which includes the formulas used and a description of each component of the formula. The Park Impact Fees are documented within the Park Impact Fee Technical document. We noted that the City was in an interlocal agreement with Clark County to jointly manage 10 park districts from 1997 until its dissolution on January 1, 2014. The prior year PIF Technical Document, effective 1/1/2020, outlines the move from 10 numbered park districts (with some completely outside City limits) to three lettered districts (all within City limits) with updated park impact fees. This is also documented in the FY 2021 PIF Technical Document, written in November 2020. There is a three year vesting required on any park impact fee rate changes. This required a secondary level of programming built into the fee table within INFOR. This programming states that software review the approval date of the Land Use Application associated with the Plot the new residential construction will be on. If the approval of that Land Use Application is between 1/1/2014 and 12/31/2016, the software will return the numbered park district fee. If the approval of the Land Use Application is before 1/1/2014 or after 12/31/2016, the newer rate will be used. When a new residential permit is entered into INFOR, the Permit Center Employee will enter in the application information, including address. INFOR uses the address to calculate the Park Impact fee based on which park district the address is located in. (Automated Key Control #2 - Valuation.) For Park Impact fees, this calculation includes the average land acquisition and development costs and the average number of occupants per dwelling (single or multi). Updates/changes to the fee are documented in the Park Impact Fee Technical Document and approved by City Council.

Additionally, the IT staff from the City notified Kristin that the Numbered Park District Fees for both the acquisition fund and the development fund were retired in the City's INFOR permitting software in June 2021, so these fees are no longer available to be added onto applications moving forward.

Key Controls Identified:

1. (Occurrence) All permitting fees, including impact fees are collected by Community and Economic Development (CED) staff prior to the permit being issued.
2. (Valuation - Automated) INFOR (Hansen) uses the permit application address to calculate the Park Impact Fee based on which park district the address is located in.

2. Confirm Understanding

1. (Occurrence) All permitting fees, including impact fees are collected by Community and Economic Development (CED) staff prior to the permit being issued.

We obtained a report from INFOR (Hansen) that included all park impact fees collected during 2021 from Kristin Lehto, Permit Center Supervisor. As part of our substantive testing, we reviewed support for permit RES-285237 that was sold on 9/1/2021 and included impact fees Park District B, as well as impact fees for Evergreen and Camas School Districts. **It appears this control is in place.**

2. (Valuation - Automated) INFOR (Hansen) uses the permit application address to calculate the Park Impact Fee based on which park district the

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address is located in.

We confirmed and tested this control here: [Impact Fees IT Control Testing - Software Calculation](#) within IT Control Testing we identified a material weakness.

3. Preliminary Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. Accordingly, we are reporting the following **material weakness**: See 5. Final control risk assessment.

4. Control Risk at LOW - Test Key Controls

Not applicable for Occurrence - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

The Valuation key controls was an automated control which was tested here, [Impact Fees IT Control Testing - Software Calculation](#). However we identified a material weakness during our testing, see final control risk assessment.

5. Final Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. Accordingly, we are reporting the following **material weakness**:

See, [Impact Fees IT Control Testing - Software Calculation](#)

We evaluated the weakness here, [LOR Summary](#)

H.1.PRG - GAAP

Procedure Step: Impact Fees IT Control Testing - Software Calculation

Prepared By: HB, 8/5/2022

Reviewed By: GTW, 8/24/2022

Record of Work Done.

-- Limited Distribution – Confidential SAO Information, May Be Protected Under RCW 42.56.420 --

1. Understanding of Automated Key Control:

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Material System: Impact Fee Revenues receipted through Hansen (INFOR)

Key Automated Control: INFOR (Hansen) uses the permit application address to calculate the Park Impact Fee based on which park district the address is located in.

Our understanding of the automated control is documented as part of our overall understanding of controls over relevant assertions for Park Impact Fees, here: [Impact Fees](#).

2. Key Automated Control Confirmation and Testing:

We confirmed and tested the key automated control as follows, to determine whether the software calculation correctly valued each transaction.

We reviewed Vancouver Municipal Code (VMC) section 20.9145.050 for Park Impact Fee rates and noted that rates are updated/approved by the City Council using the Park Impact Fee Technical Document. We noted that Park Impact fees are only charged for residential projects. Single family and multi-family projects have separate rates, with the formula for calculation being the parks impact fee rate per unit of housing multiplied by the number of units. The January 1, 2021 rates are as follows:

Park Districts	Single Family	Multi-Family
A	2,819	2,060
B	2,819	2,060
C	2,819	2,060

We reviewed an INFOR revenue report and judgmentally selected single family and multi-family permits from each park district to recalculate. For each selected permit, we reviewed the final approved permit application which included the date of sale, dollar amount, and the number of units. We recalculated each total based on the information in the permit application and the approved rates per the Park Impact Fee Technical Document. We documented this testing here: [Park Impact Fee Recalculation](#).

We noted two weaknesses in the INFOR system regarding the applicable rate during our testing:

- If the permit receiptal date occurred before the land use permit (LUP) approval date, the vested rate associated with the LUP approval date would be ignored. The current rate would be applied instead, resulting in an overcharge.
- If two LUPs were associated with one permit, the system would pull from the newest LUP rather than the older one, ignoring the vested rate and resulting in an overcharge.

These weaknesses resulted in a total material error of \$120,357. We have taken this to the aggregation of misstatements, here: [Aggregation of Misstatements \(GAAP\)](#)

LOR: [LOR Summary](#)

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3. Understanding and Testing General IT Controls:

N/A - We are testing on controls from the prior year audit.

H.1.PRG - GAAP

Procedure Step: Grant Receivables and Unearned Revenues

Prepared By: KH, 8/12/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done:

Material Balance(s) and Assertion(s):

FY 2021 Material balances & Analytical

Intergovernmental Revenue - ARPA: \$1,117,035 (Occurrence)

Transfers Out - ARPA: \$1,117,035 (Rights and Obligations)

1. Gain an Understanding of Internal Controls

Key Personnel

Accountants: Joydene Lee & Cyndi Turner

Grant Manager: LaVonne Steiner-Weigel

The American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) program, administered by the U.S. Treasury, Assistance Listing Number 21.027. LaVonne Steiner-Weigel is the main employee of the City overseeing this program. LaVonne obtained and reviewed all of the compliance supplements and guidance from SAO, GFOA, and the Department of Treasury to identify all compliance requirements. In addition, they took a GFOA training on SLFRF compliance requirements (rights and obligations). One eligible use of these program funds is to support public health expenditures. The Grant Manager determines which costs to apply to the grant based on activity and timing of transaction. The Grant Manager assigns each costs to one of the four expenditure categories defined by the Department of Treasury (rights and obligations).

The Grant Manager tracks all expenditures in the grant tracking spreadsheet, filtering through allowable activities and then filtering again to the allowable time period. At the end of the year the identified expenditures are recorded in a journal entry to be recognized as an expenditure

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(transfer) and intergovernmental revenue (occurrence), reducing the amount of unearned revenue being reported (occurrence).

Key Controls Identified

1. The Grant Manager attended trainings and reviewed compliance requirements to ensure the funds were being used for an allowable purpose by the City. (rights and obligations)
2. The Grant Manager determined which costs to apply to the grant funds based on the type of activities and timing of transactions, allocating costs by their allowable categories. (rights and obligations)
3. The Grant Manager tracks expenditures in a tracking spreadsheet, filtering through allowable activities and ensuring they are being reported in the correct time period (occurrence)

2. Confirm Understanding

The Grant Manager attended trainings and reviewed compliance requirements to ensure the funds were being used for an allowable purpose by the City. (rights and obligations)

We confirmed this through inquiry with LaVonne Steiner-Weigel. LaVonne referenced PowerPoint slides from the GFOA training and produced the examples on how she determined the correct category for the City's expenditures.

The Grant Manager determined which costs to apply to the grant funds based on the type of activities and timing of transactions, allocating costs by their allowable categories. (rights and obligations)

We confirmed this by obtaining Lavonne's grant spreadsheet which details three buckets of activities, all allowable under category 1. We reviewed the tabs associated with each activity and observed how the grant manager filtered for the allowable period, ensuring they could be the obligation of the special revenue funds. **Control Weakness Identified:** While the two Accounts Payable buckets of costs were filtered passed 3/3/2021 as required by compliance requirements over these revenues. The Grant Manager did not apply the filter when charging COVID leave. This led to about \$117k of expenditures not being a legal obligation to the ARPA fund.

The Grant Manager tracks expenditures in a tracking spreadsheet, filtering through allowable activities and ensuring they are being reported in the correct time period (occurrence)

We reviewed journal entries JE-00015118 and JE-00018047 which records the intergovernmental revenue amounts. We noted the journals were supported by the costs detailed in the tracking spreadsheet. We did confirm that all transactions occurred within the fiscal period. However, as noted above about \$117k was not an eligible expense to be paid for by the special revenue fund and therefore intergovernmental revenues is also being over reported.

We determined the impact to the financial statements as a Material Weakness as the error is greater than out materiality for the fund. We detailed this evaluation here, LOR Summary

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3. Preliminary Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. **Accordingly, we are reporting the following material weakness:**

About \$117k of expenditures were not for an obligation allowable to the American Rescue Plan Act Fund. As these funds are being reported as an unearned revenue this error impact intergovernmental revenues for recognizing the expenditures.

4. Control Risk at LOW - Test Key Controls

Not applicable - we are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

5. Final Control Risk Assessment

MAX - Internal controls are not designed to be capable of effectively preventing or detecting material misstatements in relevant assertions and in use. **Accordingly, we are reporting the following material weakness:**

About \$117k of expenditures were not for an obligation allowable to the American Rescue Plan Act Fund. As these funds are being reported as an unearned revenue this error impact intergovernmental revenues for recognizing the expenditures.

H.1.PRG - GAAP

Procedure Step: Capital Contributions

Prepared By: HB, 8/16/2022

Reviewed By: GTW, 8/30/2022

Record of Work Done:

Material Balance(s) and Assertion(s): FY 2021 Material balances & Analytical

Capital Contributions - Water/Sewer - \$21,427,223 ([Valuation/Occurrence](#))

Infrastructure - Govt. Activities - \$431,490,774 ([Existence/Rights and Obligations/Valuation](#))

Other Improvements - Water/Sewer - \$652,344,877 ([Existence/Rights and Obligations/Valuation](#))

1. Gain an Understanding of Internal Controls

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Key Personnel:

Cyndi Turner- Accounting Manager

Joshua Francis- Procurement Specialist (Was an Accountant in 2021)

Leo Kuzmin - Engineer Tech II

Ryan Miles - Engineering Program Manager

Per GASB 72, donated capital assets are assessed at Acquisition Value, rather than fair market value (FMV).

Capital Contributions/Land/Capital Assets~

NON CASH DONATIONS -

Capital Contributions are all run through the City's InPlant system. The InPlant system is a managerial tracking tool used by Community Development. It is separate from Workday. Accounting use InPlant to reference when creating and recording assets in Workday. The support for developer contributions is retained by Community Development. The City's Engineering department obtains support from developers for assets to support the value or quantity of assets received. In general, assets such as land and easements/right-of-ways (ROWS) are input into the InPlant system with a square footage, not a value because developers do not provide value figures. Assets such as Infrastructure that are donated come in with a completed asset form or other support that describes assets in detail, including values, quantities, etc. Overall, the values in the InPlant system (except those for transportation assets) are based on support that Engineers receive from developers that are then evaluated for reasonableness by comparing the contractor rate to average costs from previous year's developer projects (**Control #1 - Valuation**). Transportation assets are handled differently because, per Josh Francis, Accountant, builders don't always provide accurate estimates for transportation projects and this affects the amount of the bid bond obtained for the project. If the bid bond is insufficient to cover the project, the City may not have a way to recover the lost funds when a contractor doesn't finish a project. For transportation assets, the City still receives support from the builder, but only the quantities are used by the City. The quantities provided by the developer are multiplied by a standardized value the City establishes. The City has assigned its own standardized values for transportation assets including: sidewalks, curbs, asphalt, street lights, and signals (**Control #1 - Valuation**). We obtained information regarding the City's source for the 2021 rates for transportation assets. We spoke to Ryan Miles, Engineering Program Manager, about these rates. He explained that the City's rates are the same as Clark County's values in GIS for curbs, sidewalks, and pavement for developer contributions. Additionally, rates for arterial and residential streets are the same, but are kept separate since they may depreciate at different rates from each other. The value for traffic signals and street lights are currently valued by accepting the developer's costs for them, as long as they seem reasonable. For City Constructed assets, Community Development completes periodic analyses to arrive at the specified values, the values are based on the individual project manager's discretion using historical cost (Invoices/Progress estimates). When it comes to the end or completion of a project, the manager will set a set amount of the total is attributed to the asset (sidewalks, curbs, etc.).

Assets such as land and easements that are placed into the InPlant system without a value need to be converted to Acquisition Value for reporting purposes. The City's Engineering department performed a sample of residential and commercial land assets in 2016 and created estimated

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square footage values for these donated assets. The City estimated that residential properties have a value of \$10/square foot and commercial properties have an estimated value of \$12/square foot. In 2019, a similar study was performed providing values for utility and transportation easements of \$4 sq/ft and \$8 sq/ft, respectively. When the City pulls these assets from InTouch, the responsible accountant creates an entry for Workday which involves manually calculating the value for the asset by multiplying the square footage by the appropriate rate. This recalculated figure is uploaded to Workday. So, the City ensures land and easements are recorded at the correct values by using estimated per square foot values for land and easements provided by Engineering. These values are multiplied by the total number of square feet for the asset from InTouch to arrive at the estimated Acquisition Value for the asset and are then uploaded to Workday in an EIB (which is essentially a type of JE) (Control #1 - Valuation).

To quantify an asset, the City uses "asbuilt" documents to measure and, if necessary, split an asset between arterial and local for transportation improvements. The asbuilt documents are used in conjunction with Cost and Quantities sheets that the contractor will submit for the project and are used to verify the correct lengths on the cost and quantities sheets with a 5' error margin or less for pipe. With specific asset breakdowns in ENG projects, the asbuilt pages will breakdown the multiple pipe types shown on the corresponding Cost and Quantities sheet. Asbuilt documents are used by engineer technicians for both water/sewer and governmental assets to measure the length/quantity of the asset and agree the asset quantity to the developer's stated quantity on the Cost and Quantity sheet (Control #2 - Occurrence).

We discussed the point where the City takes ownership of the asset with Leo Kuzmin, Engineer Tech. We identified that the transfer of ownership for a contributed asset occurs when the final acceptance letter is issued for the associated ENG project (Control #3 - Existence, Occurrence). At this point, the asset becomes the City's responsibility, and the acceptance letter states that the City will now assume operation and maintenance of the asset. The acceptance letter is dated and includes the signature of Marcia Atkinson, Engineering Technician from the Community and Economic Development department.

At year-end, Joshua Francis, Accountant, reviews capital contributions within the InPlant system to identify which assets need to be uploaded to the General Ledger and then pulls all of the relevant data into an EIB which is uploaded into Workday to add all of the capital contributions to the Workday system (Control #4 - Existence).

Gray text not updated in the current audit

CASH CAPITAL CONTRIBUTIONS :

The cash portion of capital contributions comes from the following types of receipts:

1)SDC charges (System development charges) - When a developer wants to hook up to the water/sewer system the City already has in place the developer is required to pay a fee for access to the water/sewer system. The DRS department collects the cash and records the amounts to the appropriate account number, and then the cash goes into the fund cash account. Money collected is used to pay for

- Debt service related to expansion projects,*
- Construction for expansion related projects.*

The purpose of the fee is to ensure the individuals hooking up to the water and sewer lines are paying their fair share of the infrastructure that the other individuals already connected have had to pay already, to ensure existing customers are not unfairly paying for the extra load the new individuals hooking up will be using in the existing system. The DRS department reconciles the SDC sheets (cash receipted) to a list of developers. These fees can be for sewer or water

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hookups (there are none for storm). The fees must be paid in order to attach to the City. The city does not perform any work to earn this revenue thus it is earned when it is receipted. SDC charges are set in the City code in chapter 14 and approved by the board. They are a fixed fee. Some SDC charges are also determined by the permit engineering department if multiple developments are hooked up at the same time or if a restaurant or type of building is being created other than housing developments. However, all are based off of the City code Chapter 14.

2) Latecomer fees- Subject to RCW 35.91.020 Cities can participate in a utility latecomer agreement due to a 2009 revision as shown below:

(b) If authorized by ordinance or contract, a municipality may participate in financing the development of water or sewer facilities development projects authorized by, and in accordance with, (a) of this subsection. Unless otherwise provided by ordinance or contract:

(i) Municipalities that contribute to the financing of water or sewer facilities projects under this section have the same rights to reimbursement as owners of real estate who make contributions as authorized under this section; and

(ii) If the projects are jointly financed by a combination of municipal funding and private funding by real estate owners, the amount of reimbursement received by each participant in the financing must be a pro rata share.

(c) A municipality seeking reimbursement from an owner of real estate under this section is limited to the dollar amount authorized under this Ch. and may not collect any additional reimbursement, assessment, charge, or fee for the infrastructure or facilities that were constructed under the applicable ordinance, contract, or agreement. This does not prevent the collection of amounts for services or infrastructure that are additional expenditures not subject to such ordinance, contract, or agreement.

Costs under the utility latecomer agreement are determined by an engineer's estimate and are recorded with the County Auditor. For private construction latecomer agreements are received by the city and remitted to the property owner for 15 years. After 15 years the city keeps the charge for hooking up to the system, however will keep the fees instead of remitting them back to the property owner. SCIP projects have associated latecomer fees for hooking up to sewer systems already in place. Other water and sewer late comer fees are also possible for the city to collect and keep for city constructed water and sewer lines. These fees are independent of and can be in addition to the SDC Charges.

3) Service Install fees- This is work performed by the city (day labor) for installation of water service boxes and water meters. For new accounts and new hookups. The services are provided within two weeks of fee payment. The installation of a service box and water meter is a fixed fee determined by size of the meter already on the property or what is installed. The fee capitalizes the service which is the lateral connecting the main line to the water meter and the water meter (the rest of the lateral connecting from the meter to the house is the responsibility of the property owner and the city does not install this portion). Charges are based on a fee schedule which is from the City Code chapter 14 and approved by council (Key Control #4).

Cash from all of these three types of fees is receipted in the permitting department into Hansen 8. Hansen has an automatic interface with Oracle in which oracle pulls the cash receipts information directly over. Michael Conjugacion in treasury reconciles the cash deposited in the bank to the cash receipts shown in oracle (Key Control #5). If the two do not agree he calls helpdesk to ensure that all information from Hansen was accurately pulled over.

We have identified the following key controls:

1. The City determines the values for capital contributions based on support that Engineers receive from developers that are then evaluated for reasonableness by comparing the contractor rate to average costs from previous year's developer projects. Estimated square footage values for land easements are also provided by engineers. The City also determines values for governmental capital contributions based on standardized values for transportation assets, including sidewalks, curbs, asphalt, street lights, and signals listed in the Clark County GIS system (Control #1 - Valuation).

2. Asbuilt documents are used by engineer technicians for both water/sewer and governmental assets to measure the length/quantity of the asset

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and agree the asset quantity to the developer's stated quantity on the Cost and Quantity sheet (**Control #2 - Occurrence**).

3. The transfer of ownership for a contributed asset occurs when the final acceptance letter is issued for the associated ENG project (**Control #3 - Existence, Occurrence**).

4. At year-end, the City reviews the InPlant System for new easements or dedications/right of ways which are complete and adds the assets to Workday (**Control #4 - Existence**).

2. Confirm Understanding

1. The City determines the values for capital contributions based on support that Engineers receive from developers that are then evaluated for reasonableness by comparing the contractor rate to average costs from previous year's developer projects. Estimated square footage values for land easements are also provided by engineers. The City also determines values for governmental capital contributions based on standardized values for transportation assets, including sidewalks, curbs, asphalt, street lights, and signals listed in the Clark County GIS system (**Control #1 - Valuation**).

For each water/sewer asset, the City will receive a Cost and Quantities sheet from the developer. We obtained this sheet for BA-2353, and confirmed that length and type of the pipe, as well as the value for it (\$199,341 in total), matches what is booked in the InPlant system. To confirm the City's review of reasonableness for rates provided by developers, we received the 2020 Civil Improvements report from InPlant, provided by Leo Kuzmin, Engineer Technician. This is used by the engineer technicians at the City to determine if the rates provided by developers on Cost and Quantities sheets were within the average costs from previous years. Additionally, we reviewed support from Leo that show the engineer technicians reaching out to developers if a cost on the Cost and Quantity sheet is above or below average cost. For ENG-74179, we reviewed email correspondence of the engineer technicians and developers, discussing the cost per LF for public sewer being much higher than average. The developer attached an updated Cost and Quantity sheet, confirming that the value was correct.

We also obtained copies of the estimates provided by Engineering in 2016 for land and 2017 for easements. We then selected a project (ENG-70554) from InTouch that had an easement associated with it. We obtained the square footage reported in InTouch to the EIB prepared to upload it into Workday. We noted that the EIB had a value calculated at the square footage multiplied by the correct rate from the 2017 easements estimates provided by Engineering. We also noted the easement amount we were following from InTouch had been assigned an asset number as well (BA-2003). We then traced this EIB into Workday where we determined that BA-2003 was uploaded for the same amount as the one we recalculated on the EIB.

We confirmed with Joshua Francis the 2021 rates/standardized values for each transportation asset. Further, we reviewed BA-2188, which includes 4,059 square feet of "Total Pavement Added Local" at the standard rate of \$6.93/sq ft. The City received a Cost and Quantities sheet from the developer that included the square footage of the pavement. The City took this quantity and multiplied it by its standard rate for

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pavement at \$6.93/sq ft. We found that the amount in Intouch was \$28,128.87, which met our expectations for the quantity of pavement.

Ryan Miles sent screenshots from the Clark County GIS system to verify that the City is using rates established by the County. We reviewed rates for sidewalk, curb, and pavement, that were completed in late 2020/early 2021. In the screenshots, we can see that the system used in GIS is the "GASB Asset Tracker," with the rate multipliers showing \$18.24 for sidewalk, \$65.38 for curbs, and \$6.93 for pavement.

Control Weaknesses

1. We noted that these estimates for value of land and easements per square foot are fairly old estimates (2016 and 2017) and the City could not provide support for the original estimates. Capital Assets

Last year a control weakness was identified, as the estimates were from 2016 and were considered outdated for FY2020. Upon receipt of the estimations from Joshua Francis for FY2021, we noted that 2016 estimations for land and easements are still being used. We were able to recalculate land easements assets by multiplying the square footage by the estimated value of \$4 per sq ft, which is from 2016. Joshua attached an email in his correspondence with us stating that the estimations would be updated for FY2022.

We determined the control weakness above does not constitute a material weakness because, although the estimates are not being updated frequently as they should and are not supported, we do not believe a material error could exist.

To determine the value for which an error would be material we determined how many square feet of easements the City received in 2021 by running a Composite Trial Balance with RC and SC report in Workday to obtain the total dollar value of easements related to water/sewer, and found the value to be \$2,305,164. We then divided this value by the \$4 per square foot, which gave 576,291 square feet. Our materiality threshold for the water/sewer funds is \$10,365,164, and dividing this threshold by 576,291 square feet gives a change in value to be about \$18. Therefore, we can conclude that the updated estimation would need to be \$22 for the difference to be considered material. In our experience, and based on other local governments, it does not seem reasonable for the new estimation for utility easements to be \$22 or above. Therefore, we conclude that this control deficiency could not lead to a material error.

2. Asbuilt documents are used by engineer technicians for both water/sewer and governmental assets to measure the length/quantity of the asset and agree the asset quantity to the developer's stated quantity on the Cost and Quantity sheet (**Control #2 - Occurrence**).

We obtained "asbuilt" documents for both water/sewer and governmental assets, and tied the lengths/quantities of the asset to the associated Cost and Quantity sheet. For ENG-73899, we obtained the Cost and Quantity sheet, which had the cost for 275 feet of 8" ductile iron pipe, for a total cost of \$16,526. The asbuilt document for this project shows that the engineer measured 275 feet of pipe, which was then tied to the Cost and Quantity sheet. An engineering technician approved the asbuilt document on 10/23/2020. **It appears this control is in place.**

3. The transfer of ownership for a contributed asset occurs when the final acceptance letter is issued for the associated ENG project (**Control #3 - Existence, Occurrence, Rights and Obligations**).

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We obtained the final acceptance letter for ENG-69239. We verified that the date was within FY 2021, on 5/27/21, meaning that the asset was owned by the City as of fiscal year end. The project name and ENG # are both referenced in the letter, with the statement that "it is acceptable for the city to assume operation and maintenance of the public improvements thereof." Additionally, it is noted that installation of the improvements has been completed and either met or exceeded the City of Vancouver Standards and Specifications. The letter is signed by Marcia Atkinson, Engineering Technician in the Community and Economic Development Department. In our substantive testing, we confirmed this control by determining if the City owned the asset as of 12/31/21, which involved reviewing each final acceptance letter. **It appears this control is in place.**

4. At year-end, the City reviews the InPlant System for new capital contributions that are complete and adds the assets to Workday (**Control #4 - Existence**).

We reviewed InPlant reports provided by Cyndi Turner that were categorized by quarter. These reports had each ENG number and each asset that had been coded to an ENG project. We performed a random selection of the ENG numbers in our control testing, and tied each ENG project to the general ledger. When looking up a specific asset in Workday, the ENG number and date that the asset placed in service is shown. For example, for ENG-71885 in our selection, the assets associated with this project are BA-2071, BA-2072, and BA-2073. When reviewing these assets, we noted that the date each one was placed in service was 5/18/2021. This also tied to the ENG being included in the Q2 InPlant report, and confirmed that the assets were brought to Workday. **This control appears to be in place.**

Additionally, On 7/26/2021, Cyndi Turner, Accounting Manager, walked us through the process of reviewing the InPlant system and adding the assets to Workday. Cyndi explained that the accountants will reach out to Community Development quarterly to ensure that the assets had been updated in InPlant, which would then be used to update the assets in Workday. We received email correspondence for both Q2 and Q4 2021 between engineering services and financial & management services discussing the update of projects in InPlant, and the deadline for the assets in Workday to be updated. We noted in the emails provided that water quantities/costs of ENG-76482 would not be updated into InPlant for Q2 until the engineer from the City received contractor confirmation of the costs. We reviewed in a later email that all projects from this engineer had been updated and complete. We obtained a list of assets from Cyndi Turner for our capital contributions testing, that showed the associated ENG number's from InPlant. We verified that each asset exists in Workday, and reviewed the ENG number as well. We selected BA-2057 to review, from ENG-78793. We traced BA-2057 to the City's Workday GL for the same dollar amount we identified in our selection from InPlant reports (\$48,950).

3. Preliminary Control Risk Assessment

MAX - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

4. Control Risk at LOW - Test Key Controls

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We tested controls concurrently with our substantive testing, here: [FS Sampling- Capital Contributions](#) We used moderate assurance with a tolerable rate of 5.3% and stratified the population based on our balances. The testing is broken down into water/sewer, governmental.

Total capital contributions are \$16,073,494 which we then stratified into two populations:

The total population for governmental capital contributions was 178 assets totaling \$6,642,277.06, reported within "176100 Gov Other Improvements." In our random sampling, we obtained a population size of 38 assets.

The total population for water/sewer capital contributions was 413 new assets, totaling \$9,431,217. In our random sampling, we obtained a population size of 41 assets. The land easements portion of the population is at the bottom of the "Water/Sewer" tab, numbered 35 - 41.

Control #1 - We verified that the values associated with water/sewer, governmental, and easements were adequately supported and tied to the reported values in our selection. Additionally, we tested the governmental capital contributions valuations and rates in a separate spreadsheet, here: [Capital Contributions - Valuation](#)

Governmental- We received Cost and Quantities sheets from the City for each asset in our selection, which show the quantity and type of the asset, along with the total cost that could be tied to the InPlant reports. Additionally, we received information regarding the 2021 rates for each asset type from Joshua Francis, with supported screenshots for the rates from GIS provided by Ryan Miles. In our substantive testing, we tested for whether the City owned the asset as of 12/31/21, which was confirmed through reviewing the date of each "Final Acceptance Letter." We also tested if the value placed on the asset had been adequately supported by provided documentation, and if the quantity was supported with an "asbuilt" document. For our control, we tested specifically if the City used its standardized value for transportation assets from GIS, and if the value was correct for the associated asset. Through reviewing each Cost and Quantities sheet and asbuilt documents, we validated each of the areas we are testing, including the control. Additionally, if an asset had a different square footage or length applied than what was shown on the Cost and Quantity sheet, the "asbuilt" documents contain a breakdown of whether the asset was arterial or local, which are valued at the same rate but separated for depreciation reasons. We confirmed that we were able to recalculate the recorded amount of the asset based on its type, quantity, and the rate applicable to the asset. We were able to confirm all of these testing areas.

Water/Sewer- We received Cost and Quantities sheets that had been provided by developers to the engineers at the City for each asset in our selection, along with each asbuilt document to determine if an engineer at the City measured the quantity for the asset and approved it. The Cost and Quantities sheets show the quantity and type of the asset, which should tie to the asbuilt document, along with the total cost that could be tied to the InPlant reports. In our substantive testing, we tested for whether the City owned the asset as of 12/31/21, which was confirmed through reviewing the date of each "Final Acceptance Letter." In our control testing, we determined if the amounts in the InPlant system are valued based on support that the engineers received from developers. This was done through reviewing each Cost and Quantities sheet along with the associated asbuilt document to verify that engineers quantified the assets themselves, then used the developer's rate for

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reasonableness. We were able to confirm all of these testing areas.

Land Easements (part of water sewer)- We received deeds for select projects, as well as "asbuilt" documents that broke down the square footage and showed the calculation multiplied by the estimated square footage value. Additionally, we obtained information from Joshua Francis regarding the estimated square footage values for land and easements at \$4 per square foot. Through multiplying this estimation by the total square footage, we were able to recalculate the recorded amount in InPlant. We performed substantive testing for whether the City owned the asset as of 12/31/21 through reviewing each "Final Acceptance Letter," and we tested if the value placed on the asset was adequately supported by provided documentation. For our control testing, we tested that the estimated per square footage values multiplied by the total square footage equaled the estimated Acquisition Value. We were able to confirm all of these testing areas.

Control #2 - We received asbuilt documents for each asset's ENG project, and verified that each document agreed to the associated Cost and Quantity sheet. These documents confirmed that the City's engineers reviewed each asset quantity/length, and additionally approved the associated developer cost for water/sewer assets.

Control #3 - We received the final acceptance letters for each asset's ENG project, and verified that the letter was dated within fiscal year 2021. This indicated whether the asset was owned by the City as of 12/31/21, and confirmed that that asset was being correctly reported.

Control #4 - We tested this control in a separate spreadsheet, here: [FS Sampling- Control #4](#). We randomly selected ENG #'s from InPlant reports provided by Cyndi Turner, that we then tied to the general ledger to confirm that the assets in each project were being added to Workday. We had a sample size of 75 ENG projects, and used the small population control sample. Our tolerable control failure rate was set to 5.3%, with assurance set to high. Our sample size was 13 projects, which we were able to tie to assets that had all been added to the GL and placed in service in 2021.

5. Final Control Risk Assessment

LOW - We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. We will place reliance on the controls, based on our control testing above.