



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

January 11, 2024

Mayor and City Council  
City of Edmonds  
Edmonds, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the City of Edmonds from January 1, 2022, through December 31, 2022. We believe our recommendations will assist you in improving the City's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to City officials and personnel. If you have any further questions, please contact me at (425) 951-0290.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Kristina Baylor, Program Manager

Attachment

## Management Letter

City of Edmonds

January 1, 2022, through December 31, 2022

### **Payroll**

The City is responsible for implementing internal controls that provide reasonable assurance its disbursements of public funds, including employee compensation, are supported and approved. The City's total salaries and wages for fiscal year 2022 were \$24,456,721. Our audit of wages paid to certain employees found instances where the City's internal controls over reviewing and approving time worked and leave taken could be improved. Specifically, our audit noted there is no review of leave recorded on Director's timesheets compared to that entered into the leave usage system to ensure all leave taken is appropriately deducted. We tested fiscal year 2022 timesheets for three Directors and the Payroll Accountant and noted the following exceptions:

- We were unable to obtain eight timesheets for one employee. During this time the employee was on family medical leave and was paid for 70 regular hours. We were unable to determine whether the regular hours were valid as there was no timesheet showing approval for that time worked.
- Six timesheets were not in agreement with leave usage reports for two employees. We noted a total of 178 leave hours recorded on the timesheets, but only 140 hours were deducted and paid out from the associated employee's accrued leave balances. As a result, we are unable to confirm whether 38 hours of leave should have been deducted from the leave balance.

We also identified additional minor errors with ensuring other leave types, such as bereavement leave, were correctly entered into the leave system and that all timesheets were appropriately approved by an authorized individual.

We recommend the City ensure:

- All employees complete and certify time reported on timesheets, including Director-level positions, for each pay period.
- Timesheets are reviewed and approved by authorized individuals and reflect actual time worked during the period. As part of this review, the City should ensure leave recorded on timesheets matches that entered and deducted from the leave system.
- Review variances in leave usage identified during the audit and take corrective action to ensure employees accrued leave balances are adjusted for any leave not correctly deducted from existing balances.