

Edit Referral

H-23-072 Referral Information

Hotline ID: H-23-072

Date of Submission: 2/16/2023

Entity Type: Local

Entity Category Type: City/Town

Entity: Toppenish, City of

Sub Entity Name:

Category: Billings/Receivables

1-2 sentence description of concern: Sales tax collection

Report Issued: Yes

Reporting Type: Exit Item

Report Number: 1034162

Investigation Contracted: No

Contract Number:

Contract Name:

Billing Time Code:

Costs:

Public Records Request: Yes

Flag For Annual Report: No

Substantiated: No

ARRA: No

Action: Referred to Audit Team - Consider Next Audit

Audit Team: Yakima

Audit Team Contact: stranda@sao.wa.gov

cc: AMY Bunger (bungera@sao.wa.gov)

Referral Date: 2/17/2023

Action Taken: No

Response Date:

Report Date:

Follow Up Date:

Date Closed: 2/8/2024

Edit Referral

H-23-072 Contact Information

Hotline ID: H-23-072

Date of Submission: 2/16/2023

Submission Method: Web

Submission Type: Local government employee

Staff:

Author(Last, First): Shaul , Victor

Address: 361 S MITCHELL DR

City: YAKIMA

State: WA **Zip:** 98908

Home Phone:

Work Phone:

Mobile Phone: 509.907.0859

Email: vshaul1234@gmail.com

Can Contact: Yes

Contact: Mobile Phone

Preference: Email

Anonymous: No

Waived Confidentiality: No

Edit Referral

H-23-072 Referral Details

Hotline ID: H-23-072

What state or local organization is involved?

Please identify the specific concerns you are hoping the audit will address.

Sales tax collection

Please provide a detailed description of the assertion or outstanding achievement, including who, when, where, what, how and how much.

Section 13.04.060 of the Toppenish Municipal Code stipulates that sales tax shall be charged for each water meter service the city installs. This has not been done for at least the last three years. Reference permit numbers PWD2022-0008, PWD2021-0002, PWD2021-0009 for examples. There are others to pull for more examples. TMC 13.04.060 Fees designated. A. Any property owner applying for connection to the city water system shall pay service charges as established by resolution of the city council, as amended from time to time, that include five-eighth-inch or three-quarter-inch connection, one-inch connection, one-and-one-half-inch connection and two-inch connection. Any request for connections larger than two inches shall be made to the public works director or designee and the cost of the connection shall be equal to the city expense of the connection. The applicant shall post a deposit of the estimated cost prior to connection. Any cost difference between the deposit and the actual costs shall be paid by the applicant prior to final inspection of the development or structure. If the actual cost of the connection is less than the amount of the deposit, the city shall refund the difference within 30 days of the connection. B. The fees for connection to the city water system shall be adjusted to account for paved, oiled or unpaved streets to compensate the city for the cost of breaking such paving or oiling and replacing the same. Said fee differences shall be established by resolution of the city council, as amended from time to time. C. Applicable state sales tax shall be charged in addition to the service charges set forth in subsection A of this section.

How did this issue come to your attention?

**What employee(s), contractors, etc., were involved in the assertion or achievement?
Please include employee titles if possible.**

Please provide the names of any witnesses to the assertion or achievement, if possible.

Please provide any additional details or comments that would help us understand your assertion or achievement.

Edit Referral

H-23-072
Activity
Log

Hotline ID: H-23-072

Entry Date ▼	Log Entry
02/08/2024	Referral updated by 'JEANA Gillis (gillisj)'.
02/08/2024	Referral updated by 'ANN Strand (stranda)'.
02/08/2024	This hotline can be closed. --stranda
02/08/2024	Sent exit recommendation to citizen --bungera
01/26/2024	We spoke to the citizen about all of the hotlines they have submitted and let them know the recommendations we will be providing to the City as a result. For the sales tax we let them know that we were able to agree the fees to what was billed; however, sales tax collections and remittance to DOR is not within our scope of audit. Therefore, we did not recalcate or evaluate whether it was properly obtained. --bungera
03/23/2023	Referral updated by 'JEANA Gillis (gillisj)'.
02/23/2023	Talked to citizen and he said per code they are required to pay sales tax and the city is not charging it at all. Will leave open to incorporate into the next accountability audit. --bungera
02/17/2023	Referral updated by 'JEANA Gillis (gillisj)'.
02/17/2023	Task assigned to 'stranda@sao.wa.gov'. Team notification email sent to: stranda@sao.wa.gov,bungera@sao.wa.gov
02/17/2023	Referral updated by 'JEANA Gillis (gillisj)'. Action changed from (not set) to Referred to Audit Team - Consider Next Audit.
02/17/2023	Left a message for the citizen to return our call on the hotline. --bungera



Exit Recommendations
City of Toppenish
Audit Period Ending: 12/31/2022

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Accountability:

Utility Billings and Adjustments

The City bills about \$7 million in utility charges annually and City staff adjusted accounts by about \$152,803 in 2020, \$16,269 in 2021 and \$169,920 in 2022. The Budgeting, Accounting and Reporting System (BARS) manual, 3.1.3 requires all local governments to have adequate internal controls to provide reasonable assurance of effectiveness and efficiency of operations, compliance with applicable laws and regulations, and reliability of financial reporting. The City did retain support to demonstrate the validity for 19 out of 30 adjustments totaling \$26,723. Additionally, the City did not document the preparer, reviewer or how the adjustment was calculated for six adjustments totaling \$72,967.

In addition, state law requires cities to disclose the tax rate to the citizens if it is not itemized on the utility bill. Since the City includes the tax rate in the usage rate and not as a separate line item on the bill, the City is required to disclose the tax rate to citizens on the bill. Although the City does disclose the tax rate to citizens on the face of the mailed bills, the City did not include this disclosure on the electronic bills.

We recommend the City implement controls to ensure adjustments are properly supported, reviewed and in accordance with the municipal code. Additionally, we recommend the City update the electronic utility bills to include a disclosure to the citizens of the approved tax rate.

Cash receipting

The City receives about \$23,000 in building permit revenue and about \$1,000 in gazebo rentals annually. When customers apply for a building permit for land use, they are required to pay a deposit for development review of the land and determine whether it's viable for construction and whether there are any environmental impacts. After the City performs the review, per resolution 2022-34, the City refunds all or part of the deposit if direct costs are less than the development review fee. The City issued two permits in March 2023 and two permits in September of 2023 to one customer totaling \$9,499 and had not refunded this customer for building permit deposits as of December 2023.

Additionally, municipal code 2.8.050 allows the City to discount or waive gazebo rental fees for nonprofit organizations; however, the code does not outline how much can be discounted or waived. The City discounted 50% of the gazebo rental rate to one nonprofit organization. The



Exit Recommendations
City of Toppenish
Audit Period Ending: 12/31/2022

City was unable to provide support for how they calculated the discount.

We recommend the City:

- Track and monitor building permit deposits and ensure deposits are refunded when necessary
- Update the municipal code to include how rental fee discounts or waivers are to be determined and calculated

Annual report late filing

State law (RCW 43.09.230) requires local governments to file their annual financial reports to the Office of the State Auditor within 150 days of their fiscal year end. The City submitted all required items on July 28, 2022, which was 59 days after the filing deadline.

We recommend the City ensure compliance with annual report filing deadlines.

Payroll

The City spent about \$3.6 million in payroll costs annually. Due to turnover in the payroll department, we identified controls were ineffective to ensure staff were properly calculating payroll costs, voiding lost checks, sending unclaimed property (outstanding checks) to the Department of Revenue timely, and processing insurance refunds through the appropriate accounting system. In addition, the City has not updated its longevity policy to clearly define how this pay will be consistently applied.

As a result, the City:

- Incorrectly paid one employee that was on administrative leave for one pay period. The City paid the employee at an hourly rate instead of at the union rate agreement resulting in an underpayment of \$194.
- Did not void a lost payroll check after reissuing it to the employee.
- Did not submit outstanding checks to the Department of Revenue as unclaimed property timely. When a payroll check is outstanding for one year or more it is required to be voided or returned to the Department of Revenue as unclaimed property.
- Incorrectly deducted insurance costs from one employee's payroll check after the insurance was cancelled. Also, the insurance refund was processed through the payroll system rather than the accounts payable system as required by state law.

Also, the City paid one employee longevity pay upon hire due to prior years of service in government, which was approved by the City Manager. The personnel policy gives the City Manager hiring authority, including setting wages; however, City policy does not clearly state whether longevity is for City service or prior government service. City policy should clearly define when longevity can be paid to ensure that the policy is consistently applied and paid to all employees.



Exit Recommendations
City of Toppenish
Audit Period Ending: 12/31/2022

We recommend the City perform a secondary review of payroll to ensure pay is accurately calculated and in accordance with City policy. Additionally, we recommend the City properly void lost checks, review outstanding checks to ensure any unclaimed property is submitted to the Department of Revenue and ensure refunds are processed through the correct accounting system.