

## Edit Referral

### H-23-185 Referral Information

**Hotline ID:** H-23-185

**Date of Submission:** 4/11/2023

**Entity Type:** Local

**Entity Category Type:** City/Town

**Entity:** Toppenish, City of

**Sub Entity Name:**

**Category:** Accounting/Financial Reporting

**1-2 sentence description of concern:** Lack of financial oversight by the Administrative Services Director  
- Heather Jobe

**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:** 4/12/2023

**Action Taken:** No

**Response Date:**

**Report Date:**

**Follow Up Date:**

**Date Closed:** 2/8/2024

## Edit Referral

### H-23-185 Contact Information

**Hotline ID:** H-23-185

**Date of Submission:** 4/11/2023

**Submission Method:** Web

**Submission Type:** Local government employee

**Staff:**

**Author(Last, First):** Shaul , Victor

**Address:** 361 South Mitchell Drive

**City:** Yakima

**State:** WA **Zip:** 98908

**Home Phone:**

**Work Phone:**

**Mobile Phone:** 509.907.0859

**Email:**

**Can Contact:** Yes

**Contact Preference:** Mobile Phone

**Anonymous:** No

**Waived Confidentiality:** No

## Edit Referral

### H-23-185 Referral Details

**Hotline ID:** H-23-185

**What state or local organization is involved?**

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

Lack of financial oversight by the Administrative Services Director - Heather Jobe

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

The City of Toppenish collects a development review deposit of \$2500 on permits to provide for reimbursement of consultant peer review costs, legal review costs, hearing examiner costs, etc. Upon permit issuance the unused portion of the development review deposit is refunded to the applicant. The city owes the Toppenish School District \$9643.98 for un-refunded development review deposits. The city has failed to issue refunds in a timely matter and is holding funds improperly. Reference permit numbers BLD2022-0086 – Issued 9-23-22 BLD2022-0082 – Issued 9-19-22 BLD2022-0087 – Issued 3-2-23 GRD2022-0001 – Issued 3-24-23

**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-23-185  
Activity  
Log  
Hotline ID: H-23-185

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	Sent exit recommendation to citizen --bungera
02/08/2024	This hotline can be closed. --stranda
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. We let them know that after report issue we will provide a copy to the citizen. They were find with not receiving a formal close out letter as long as they get a copy of the recommendation --bungera
04/12/2023	Referral updated by 'JEANA Gillis (gillisj)'.
04/12/2023	Task assigned to 'stranda@sao.wa.gov'. Team notification email sent to: stranda@sao.wa.gov,bungera@sao.wa.gov
04/12/2023	Referral updated by 'JEANA Gillis (gillisj)'. Action changed from (not set) to Referred to Audit Team - Consider Next Audit.
04/12/2023	Spoke to citizen and said that permits that require outside consulting or other fees the collect a \$2500 deposit to cover those expenses. Any remaining gets refunded. Citizen is not aware of any policy on time to deposit the refund to customer. Will keep open for next audit. --bungera



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

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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 disclosure 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



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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.



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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.