



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

September 26, 2024

Mayor and City Council Members
City of Sultan
Sultan, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our audit of the City of Sultan from January 1, 2023 through December 31, 2023. We believe our recommendations will assist you in improving the City's internal controls and compliance 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) 510-0479.

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.

Sincerely,

A handwritten signature in cursive script that reads "Kristina Baylor".

Kristina Baylor, Program Manager

Attachment

Management Letter

City of Sultan

January 1, 2023 through December 31, 2023

Federal procurement policies

The City spent \$1,676,440 in the Congressionally Mandated Projects federal program (ALN 66.202) during fiscal year 2023.

U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires federal award recipients to establish and maintain effective internal controls to ensure compliance with program requirements. These controls include understanding award requirements and monitoring the effectiveness of established controls. When procuring goods and services with federal funds, Uniform Guidance also requires federal award recipients to follow their own documented procurement procedures, which must reflect the most restrictive of applicable state, local and federal laws.

In the prior three audits, we recommended the City update its written policies to address federal procurement to comply with Uniform Guidance. The City continues to fail to update its policies to conform to federal procurement standards identified in 2 CFR §200.318-327. Specifically, its policies do not include procurement thresholds to ensure it follows the most restrictive requirements when procuring goods and services. Additionally, its policies do not fully address the following Uniform Guidance requirements:

- Methods of procurement to be followed (2 CFR 200.320)
- Contracting with small and minority businesses, women's business enterprises and labor surplus area firms (2 CFR 200.321)
- Procurement of recovered materials (2 CFR 200.323)
- Contract cost and price (2 CFR 200.324)
- Federal awarding agency or pass-through entity review (2 CFR 200.325)
- Contract provisions (2 CFR 200.327)

We recommend the City update its written policies and procedures to address all federal procurement requirements in compliance with Uniform Guidance.