



# Office of the Washington State Auditor

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## Pat McCarthy

### **Entrance Conference: City of Lacey**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share our planned audit scope so that we are focused on the areas of highest risk. We value and appreciate your input.

#### **Audit Scope**

Based on our planning, we will perform the following audit:

#### **Accountability audit for January 1, 2021 through December 31, 2022**

We will examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation. In addition, we will evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures.

We plan to evaluate the following areas:

- Procurement – public works
- Compliance with public works projects – prevailing wages, change orders, retainage requirements
- Accounts payable – credit cards
- Accounts receivable – building permit billings
- Police Department – property or evidence room, and disposition of property
- Tracking and monitoring of theft sensitive assets, such as computers, phones, and monitors
- Self-insurance for unemployment
- Finance condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings and executive session requirements

#### **Engagement Letter**

We have provided an engagement letter that confirms both management and auditor responsibilities, and other engagement terms and limitations. Additionally the letter identifies the cost of the audit, estimated timeline for completion and expected communications.

#### **Levels of Reporting**

##### **Findings**

Findings formally address issues in an audit report. Findings report significant results of the audit, such as significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or

non-compliance with laws, regulations or policies. You will be given the opportunity to respond to a finding and this response will be published in the audit report.

### **Management Letters**

Management letters communicate control deficiencies, non-compliance, misappropriation, or abuse that are less significant than a finding, but still important enough to be formally communicated to the governing body. Management letters are referenced, but not included, in the audit report.

### **Exit Items**

Exit items address control deficiencies, non-compliance with laws or regulations, or errors that have an insignificant effect on the audit objectives. These issues are informally communicated to management.

### **Important Information**

#### **Confidential Information**

Our Office is committed to protecting your confidential or sensitive information. Please notify us when you give us any documents, records, files, or data containing information that is covered by confidentiality or privacy laws.

#### **Audit Costs**

The cost of the audit is estimated to be approximately \$28,200, plus travel expenses.

#### **Expected Communications**

During the course of the audit, we will communicate with Kristy Wolf, Financial Services Manager, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed.

Please let us know if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect Kristy to keep us informed of any such matters.

#### **Audit Dispute Process**

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

#### **Loss Reporting**

Washington state law requires all state agencies and local governments to immediately notify SAO if staff know or suspect loss of public resources, or of other illegal activity including a cyber-attack if it resulted in a loss of public resources or potentially impacted financial records or systems. State and local government employees should alert us to suspected fraud through the online Report a Suspected Fraud or Loss form below. These notifications can be made on our website at [www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program/](http://www.sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program/).

#### **Cybersecurity Loss Reporting**

State and Local governments may also be required to report cybersecurity issues to the Washington State Attorney General's Office (AGO) or to the State Auditor's Office, including security breaches and cyber fraud. To learn

more about when to report cybersecurity issues, please visit our website at <https://sao.wa.gov/has-your-government-experienced-a-cybersecurity-issue-here-is-when-and-how-to-report/>.

### **Peer Reviews of the Washington State Auditor’s Office**

To ensure that our audits satisfy *Government Auditing Standards*, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA). The most recent peer review results are available online at [www.sao.wa.gov/about-sao/who-audits-the-auditor/](http://www.sao.wa.gov/about-sao/who-audits-the-auditor/). Our Office received a “pass” rating, which is the highest level of assurance that an external review team can give on a system of audit quality control.

### **Working Together to Improve Government**

#### **Audit Survey**

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide us feedback.

#### **Local Government Support Team**

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS) and annual online filing technical assistance, provides accounting, reporting and BARS training. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS manuals, access to resources and recorded trainings, and additional accounting and reporting resources. Additionally this team assists with the online filing of your financial statements.

#### **The Center for Government Innovation**

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you, help the residents you serve at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective and transparent. The Center also provides financial management technical advice and best practices and resources. These can be accessed from the “Improving Government” tab of our SAO website and help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to other local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. If you are interested in learning how the Center can help you maximize your effect in government, call them at (564) 999-0818 or email them at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### **Audit Team Qualifications**

**Kelly Collins, CPA, CFE, Director of Local Audit** – Kelly has been with the Washington State Auditor’s Office since 1992. In her role, she oversees the audit teams that perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board and is a member of the Washington Society of Certified Public Accountants’ Government Auditing and Accounting Committee. Phone: (564) 999-0807 or [Kelly.Collins@sao.wa.gov](mailto:Kelly.Collins@sao.wa.gov)

**Tina Watkins, CPA, Assistant Director of Local Audit** – Tina has been with the Washington State Auditor’s Office since 1994. In her role as Assistant Director, she assists with statewide oversight and management of all the audits for local government. She served as an Audit Manager for six years prior to becoming an Assistant Director of Local Audit. Phone: (360) 260-6411 or [Tina.Watkins@sao.wa.gov](mailto:Tina.Watkins@sao.wa.gov)

**Lisa Carrell, CPA, Program Manager** – Lisa has been with the Office of the Washington State Auditor since 2014. Notable work experiences include serving as the Team Olympia Audit Manager since January 2022 and as the Program Manager over Transit Authorities, Transportation Benefit Districts and Regional Transportation Planning Organizations since February 2023. Previously, Lisa served as a supervisor for Team Olympia starting in 2016. Team Olympia is responsible for auditing local governments in Thurston, Lewis, Grays Harbor and Pacific counties. Lisa has experience with a broad spectrum of office engagements including local and state government audits, performance audits and census data examinations. Lisa also previously served as a statewide subject matter expert over Pensions and OPEB, Counties, and County Assessor and Property Taxes. Lisa graduated from Washington State University. Phone: (564) 999-0882 or [Lisa.Carrell@sao.wa.gov](mailto:Lisa.Carrell@sao.wa.gov)

**DJ Kirkwood, Assistant Audit Manager** – DJ has been with the Office of the Washington State Auditor since 2014. Notable work experience includes serving as Supervisor since 2020. DJ has lead various audits that include large counties and cities, schools, transportation districts, hospitals, and housing authorities. He worked for the Department of Revenue prior to joining Team Olympia. DJ serves as a statewide Hospital Subject Matter Expert. Phone: (564) 999-0916 or [Doug.Kirkwood@sao.wa.gov](mailto:Doug.Kirkwood@sao.wa.gov)

**Beau Villarreal, Assistant State Auditor** – Beau has been with the Office of the Washington State Auditor since 2015. Notable work experiences include leading and assisting on a variety of audits including cities, counties, charter schools, colleges, school districts, risk pools, associations, transits, educational service districts, ports, and regional planning districts. In addition, Beau spent 6 months as an interim fraud investigator with our office, where he led several large fraud investigations. Phone: (564) 999-0879 or [Beau.Villarreal@sao.wa.gov](mailto:Beau.Villarreal@sao.wa.gov)