



# Office of the Washington State Auditor

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## Pat McCarthy

### **Entrance Conference: Redmond Community Facilities District No. 2016-1**

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 June 21, 2016 through December 31, 2017**

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:

- General disbursements
- Annual report filing
- Use of restricted funds
- Contracts and agreements
- Financial condition

#### **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 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 or abuse with a less-than-material effect on the financial statements or other issues with significance to the audit objectives. Management letters are referenced, but not included, in the audit report.

## **Exit Items**

Exit items address control deficiencies or non-compliance with laws or regulations 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 \$4,085, plus travel expenses.

### **Expected Communications**

During the course of the audit, we will communicate with Gini Schacker, Accounting 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 Ms. Schacker 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**

State agencies and local governments are required to immediately notify our Office in the event of a known or suspected loss of public resources or other illegal activity. These notifications can be made on our website at <http://portal.sao.wa.gov/saoportal/public.aspx/LossReport>.

### **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 <http://www.sao.wa.gov/about/Pages/PeerReviews.aspx>. 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.

## **Emerging Issues**

Some of the emerging issues affecting [local or state] governments are the following:

- **Audit Connection newsletter:** The State Auditor's Office newsletter called the Audit Connection was recently updated to have digital access. The digital version will feature stories and updates seen in the newsletter, and also include dynamic data visualizations, video entries, reflections on topics related to audit areas, financial management, Lean, and more. We hope this will be a more convenient and

meaningful way to connect with the State Auditor's Office. You can reach the digital Audit Connection at <https://auditconnectionwa.org/>.

- **Financial Statement Format One-Pager:** As part of the audit process, auditors must ask governments for required financial statements and related documents to include in the audit report. Our Office needs these documents to be submitted and presented in a particular way to minimize additional editing work, therefore a guide has been created to help governments format the required documents in a way that maintains efficiency for both the audited government and our Office. We have attached the guidelines in a separate attachment.
- **IT Systems Conversions:** The State Auditor's Office has created guidance to help clients who are considering, or are in the process of, converting to new computer systems, ensure a smooth and complete transition. We have provided this document as a separate attachment.
- **IT Security Performance Audits for Local Governments:** The Washington State Auditor's Office is offering performance audits of IT Security for Local Governments. This is an intensive, opt-in, no cost audit of selected facets of IT Security.
- **GASB Update:** The Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles (GAAP) for U.S. state and local governments. We have provided a summary of current and upcoming accounting and financial reporting standards as a separate attachment.

## **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 technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

### **Performance Center**

The Performance Center is a resource for local governments that need to solve problems, reduce costs, and improve the value of their services to citizens. The Center offers training and tools to help local governments improve performance and effectiveness.

## **Audit Team Qualifications**

**Kelly Collins, CPA, Director of Local Audit** – Kelly has been with the Washington State Auditor's Office since 1992. In her role, she oversees the audit teams which 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: (360) 902-0091 or [Kelly.Collins@sao.wa.gov](mailto:Kelly.Collins@sao.wa.gov)

**Mark Rapozo, CPA, Assistant Director of Local Audit** – Mark has been with the Washington State Auditor's Office since 1983. In his role as Assistant Director he assists with the statewide oversight and management of all

the audits for local government. He also served as the chairman of the Local Records Committee of the Washington State Archives for 10 years. Phone: (360) 902-0471 or [Mark.Rapozo@sao.wa.gov](mailto:Mark.Rapozo@sao.wa.gov)

**Wendy Choy, Audit Manager** – Wendy has been with the Washington State Auditor’s Office since 2002 and is also the Program Manager for public hospital districts. In her role she oversees Team North King County which performs the audits for over 85 state and local governments. She has also worked on four teams covering different audits throughout the King County and south Snohomish County regions. Wendy has a wide range of experience overseeing cities, school districts, hospital districts, housing authorities, higher education institutions, risk pools, commodity commissions, water sewer districts and other junior taxing districts. Wendy received her Bachelor of Arts degrees in Business Administration with a concentration in Accounting at the University of Washington. Phone: (425) 502-7067 Ext. 102 or [Wendy.Choy@sao.wa.gov](mailto:Wendy.Choy@sao.wa.gov)

**Lorraine Nitta, Assistant Audit Manager** – Lorraine has been with the Washington State Auditor’s Office since 2004. During her time with the Office, Lorraine has worked on four different teams covering state and local governments throughout the King County and south Snohomish County regions. Lorraine has a wide range of experience auditing and supervising cities, school districts, hospital districts, fire districts, housing authorities, risk pools, higher education institutions, commodity commissions, and water and sewer districts. She has performed accountability, single audit, and financial statement audits in accordance with the audit plan to ensure Office quality expectations and standards are met. Lorraine received her Bachelor of Arts degrees in Economics and Business Administration with concentration in Accounting at the University of Washington. Phone: (425) 502-7067 Ext. 104 or [Lorraine.Nitta@sao.wa.gov](mailto:Lorraine.Nitta@sao.wa.gov)

**Kim Nguyen, Audit Lead** – Kim has been with the State Auditor’s Office since 2014. During her time with the Office, she has worked on three different teams covering local governments throughout the King County region. Kim has a wide range of experience auditing cities, school districts, hospital districts, fire districts, and water districts. She also serves as a fraud specialist on the local team. Prior to joining the State Auditor’s Office, Kim worked as a project manager at a public accounting firm. Kim received her Bachelor of Arts degree in Political Theory and Constitutional Democracy and cognate in Journalism from Michigan State University. She also holds a Certificate in Accounting from the University of Washington. Kim is currently studying for the CPA examination. Phone: (425) 502-7067 or [Ngan.Nguyen@sao.wa.gov](mailto:Ngan.Nguyen@sao.wa.gov)