



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

September 29, 2020

Board of Supervisors
Redmond Community Facilities District No. 2016-1
c/o City of Redmond
PO Box 97010
Redmond, WA 98073

Dear Board of Supervisors:

We are pleased to confirm the audit to be performed by the Office of the Washington State Auditor, in accordance with the provisions of Chapter 43.09 RCW, for the Redmond Community Facilities District No. 2016-1. This letter confirms the nature and limitations of the audit, as well as responsibilities of the parties and other engagement terms.

Auditor Responsibilities

Accountability Audit

In accordance with RCW 43.09.260, we will perform an accountability audit for the fiscal year ended December 31, 2019, of the District's compliance with applicable state laws, regulations, policies and procedures, and safeguarding of public resources in areas representing the highest risk of fraud, loss, abuse, or noncompliance.

Areas will be selected for audit using a risk-based approach and will be identified in the audit entrance conference.

Upon completion of our audit, we will issue a written report describing the overall results and conclusions for the areas we examined.

Data Security

Our Office is committed to appropriately safeguarding the information we obtain during the course of the audit. We will:

- Avoid, where feasible, including information considered confidential in work papers.
- In cases where inclusion of personal information is unavoidable, we will follow our policy on confidentiality, consistent with applicable federal and state requirements.
- Maintain the confidentiality of personal information in accordance with the law.
- Ensure that confidential information will be encrypted in transmission if we retransmit it to any parties authorized to receive such information.

- Warrant that collection, access, use, storage, disposal and disclosure of confidential information will comply with all applicable federal, state and data protection laws, as well as all other applicable regulations and directives.
- Warrant that administrative, physical, and technical safeguards to protect confidential information are in place that are no less rigorous than accepted industry practices, including the current State of Washington Office of the Chief Information Officer (OCIO) IT Security Standards (OCIO 141.10) relating to Securing Information Technology Assets Standards, and that all such safeguards, including the manner in which confidential information is collected, accessed, used, stored, processed, disposed of and disclosed, comply with applicable data protection and privacy laws.

Responsibilities specific to this engagement

- Provide the audit liaison, Julie Elsom, Accounting Manager, with advanced notification if we identify issues that require further audit work and increase costs.
- Safeguard District's financial records and documentation from loss, damage, and inadvertent release to unauthorized persons.
- Conduct a formal exit conference with the District to discuss results of the accountability audit on or before October 30, 2020.
- Interact with District staff professionally and respectfully and communicate needs and issues in a timely manner. We will notify the District the previous day, if we know that audit staff will not be onsite the subsequent day(s).
- Provide written correspondence during the course of the audit through email to the audit liaison, Julie Elsom, Accounting Manager.
- Provide advance notice when a scheduled meeting is to be cancelled.
- Allow the District seven days to provide a written response to any findings.

Reporting levels for audit issues

Issues identified through the auditing process will be communicated as follows. Failure to appropriately address audit issues may result in escalated reporting levels.

- **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, contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or a synopsis of it, will be published in the audit report.
- **Management letters** communicate control deficiencies, non-compliance, misappropriation, abuse, or errors with a less-than-material effect on audit objectives. Management letters are referenced, but not included, in the audit report.
- **Exit items** address control deficiencies, non-compliance, abuse, or errors that have an insignificant effect on audit objectives. These issues are informally communicated to management and are not referenced in the audit report.

Client's Responsibilities

Management is responsible for the accuracy and completeness of information provided to the auditor and will provide the Office of the Washington State Auditor with:

- Unrestricted access to people with whom the auditor wishes to speak.
- All information that is requested or relevant to auditor requests.
- Notification when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws, such as HIPAA.
- Adequate workspace and conditions, including interacting with auditors professionally and respectfully and promptly communicating about any issues and concerns.

Moreover, our audit does not relieve management or the governing body of their responsibilities. Management's responsibilities, with oversight from the governing body, include:

- Selecting and applying appropriate administrative and accounting policies.
- Establishing and maintaining effective internal controls over financial reporting, compliance, and safeguarding of public resources.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.

Responsibilities at the conclusion of the audit

At the conclusion of our audit, the District will provide us with a letter to confirm in writing certain express and implied representations made during the course of the audit. This letter includes representations regarding legal matters. A separate letter may be needed from the District's legal counsel.

Management and the governing body are also responsible for following up and taking corrective action on all audit findings, including, when applicable, preparing a summary schedule of prior audit findings and a corrective action plan on the District's own letterhead.

Responsibilities specific to this engagement

Additionally, the District will:

- Interact with auditors professionally and respectfully and promptly communicate issues and concerns.

Estimated Audit Costs and Timeline

We estimate the cost of the audit work to be \$5,100, and other expenses, if any. Invoices for these services will be prepared and presented each month as our audit work progresses.

We anticipate our reports, which will be addressed to the District's governing body and published on our website www.sao.wa.gov to be available to you and the public as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

Report	Date*
Independent Auditor's Report on Accountability	October 30, 2020

**Report Issuance Dates Are Estimates Only*

The audit documentation for this engagement, which may contain confidential or sensitive information, is the property of SAO and constitutes a public record under Chapter 42.56 RCW. Subject to applicable laws and regulations, appropriate individuals, as well as audit documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, District's management and governing body, and federal agencies, for purposes of a public records request, a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

The audit documentation for this engagement will be retained for a minimum of five years after the report release (publish) date in accordance with the public records retention schedule established by the Washington Secretary of State.

Expected Communications

During the course of the audit, we will communicate with the District's selected audit liaison, Julie Elsom, 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. The audit liaison is responsible for regularly updating the District's management and the governing body on these matters. We may also provide direct communication of these matters to management and the governing body as needed or at the District's request.

Please contact us if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect the audit liaison 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.

By signing and returning this letter, you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Sincerely,



Wendy Choy, Program Manager 9/29/2020
Office of the Washington State Auditor

District Response:

This letter correctly sets forth our understanding.

[NAME, TITLE] [Date]
[KEY OVERSIGHT/GOVERNING BODY/
CEO/AUDIT COMMITTEE OFFICIAL]

[NAME, TITLE] [Date]
[MANAGEMENT/AUDIT CONTACT]