

Washington State Auditor's Office
Accountability Audit Report

**Law Enforcement Officers and Fire
Fighters Plan 2 Retirement Board**

Audit Period
July 1, 2007 through June 30, 2009

Report No.

Issue Date
***, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

Issue Date – (Issued by OS)

Mr. Steve Nelsen, Executive Director
Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board

Report on Accountability

We appreciate the opportunity to work in cooperation with your agency to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

Signature Here (Please do not remove this line)

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Audit Summary

State of Washington Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board for the period from July 1, 2007, through June 30, 2009.

We evaluated internal controls and performed audit procedures on the activities of the Board. We also determined whether the Board complied with state laws and regulations and its own policies and procedures.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Disbursements
- Payroll

RESULTS

In the areas we examined, the Board's internal controls were adequate to safeguard public assets. The Board also complied with state laws and regulations and its own policies and procedures in the areas we examined.

Related Reports

State of Washington Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board

FINANCIAL

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management. The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

FEDERAL PROGRAMS

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Description of the Board

State of Washington Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board

ABOUT THE BOARD

The Washington State Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board was created by Initiative 790, passed by the people of Washington state in November 2002.

The LEOFF Plan 2 Retirement Board is a state agency established in July 2003, and is governed by an 11-member board comprised of three active fire fighters, three active police officers, three employers and two legislators. Board members are appointed by the Governor.

The 11-member board is a policy-making board with the responsibility to study pension issues, be fiduciaries of the LEOFF Plan 2 retirement plan, set contribution rates, and recommend pension policy to the Legislature in the interest of the members and beneficiaries of LEOFF Plan 2. The board members meet monthly in Olympia.

The LEOFF Plan 2 Retirement Board is a state agency that provides research staff and administrative assistance to the 11-member board. The agency employs six staff. In addition to agency staff, the Board works cooperatively with other organizations for information and support.

The agency is located in Olympia and has no other field offices or branch locations. Funding for the LEOFF 2 Board comes from the LEOFF 2 pension fund. The agency's annual operating budget is approximately \$1,000,000.

BOARD CONTACT INFORMATION

Address: Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board
PO Box 40918
Olympia, WA 98504-0918

Phone: 360-586-2322

Web site: www.leoff.wa.gov

AUDIT HISTORY

The current audit covered a two-year period. The previous audit was for a four-year period. There were no findings reported.

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Washington State Auditor's Office

Exit Conference

Law Enforcement Officers' & Fire Fighters' Plan 2 Retirement Board

July 1, 2007 through June 30, 2009

November 18, 2009



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Audit Approach

Accountability for Public Resources and Legal Compliance

We perform individual audits of entities on a cyclical basis to provide reasonable assurance of compliance with legal requirements as well as to determine if adequate internal controls are in place. In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, our audits focus on identifying and examining those transactions, activities or areas that pose the highest risk of noncompliance.

Financial Statements

We perform an annual audit of the statewide basic financial statements in accordance with *Government Auditing Standards*. These financial statements are included in the Comprehensive Annual Financial Report (CAFR) prepared by the Office of Financial Management. The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's financial operations.

The Board has no accounts material to the state's basic financial statements for this audit period.

Federal Compliance

We perform an annual audit of federal grant expenditures for the state of Washington as required by the Single Audit Act. Federal grant audit work is performed on a statewide basis, and we select federal programs for audit using risk-based criteria set forth in the U.S. Office of Management and Budget Circular A-133.

The Board has no major federal programs for this audit period.

Audit Scope

Our audit was planned and conducted using a risk-based approach for the period beginning July 1, 2007 and ending June 30, 2009:

Accountability for Public Resources and Legal Compliance

We evaluated accountability for public resources and compliance with certain laws and regulations in the following areas:

- Disbursements
- Payroll

Audit Results

Audit Recommendations

We are pleased to report no findings or management letter items. We will review the status of the following exit items in our next audit.

Vendor Payments

During our audit of the Board's vendor payments we found the following control weaknesses:

- The Executive Director and the Deputy Director sign their approval on labels that are adhered to invoices. There is no assurance that these labels cannot be pre approved and placed on an unauthorized purchase or removed from an approved purchase and placed on an unauthorized purchase.
- Both the Executive Assistant and the Administrative Manager have the ability to approve purchases and sign documents using the Board Chairman's electronic signature. They are required to have an e-mail from the Board Chairman authorizing the use of the signature before it is placed on any document. However, none of the purchases that we reviewed included an authorizing e-mail with the supporting documents.

We recommend that all approving signatures be placed directly on documents as evidence that a purchase has been reviewed and is approved.

We also recommend that support of purchases with an electronic approving signature include a copy of the authorizing e-mail.

Payroll

During our audit of the Board's leave process we found the following exceptions:

- No one reviews the Executive Director's leave slips. This was also reported in the prior audit.
- The Administrative Services and Communication Director fills out only one leave slip per pay period for total leave taken. The leave slips don't indicate how many hours of leave were used by day. This employee also prepares the attendance report, which is the document used to input leave taken into the payroll system. Without adequate documentation of leave taken, a proper review of leave slips and a reconciliation of leave slips to the attendance report cannot be made.

- The Executive Director’s review of the attendance report did not detect a discrepancy between hours reported on a leave slip and what was reported on the attendance report. The leave slip submitted by the Administrative Services and Communication Director indicated 23 hours of leave taken, but the approved attendance report prepared by this employee only showed 18 hours of leave taken.

We recommend:

- An independent person sign the Executive Director's leave slips.
- Leave slips should have the actual times and dates of leave taken.
- Reviews of the attendance report should ensure leave slips are consistent with leave recorded on the report.

Status of Prior Audit Recommendations

<i>Prior Audit Exit Items</i>	<i>Resolved</i>	<i>Unresolved</i>
Payroll		X

Audit Reports

Accountability Report

This report summarizes the results of the accountability audit. The report will not include any findings.

The Board’s Accountability Report is expected to be issued November of 2009. We now offer a free subscription service that allows you to be notified by email when audit reports are released or posted to our Web site. You can sign up for this convenient new service on our website at:

www.sao.wa.gov/applications/subscriptionservices

Financial Statement Reports

Our opinion on the state of Washington’s Basic Financial Statements is included in the state’s CAFR. This report is issued by the Office of Financial Management in December of each year.

Single Audit Reports

This report discloses the results of our audit of the major federal programs as well as our opinion on whether the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Office of Financial Management issues this report in March of each year.

Concluding Remarks

We would like to thank officials and employees for their helpfulness and timely response to our audit requests. We will be sending an e-mail to Jessica Burkhart regarding an on-line customer service survey. This email will be from "State Auditor's Office <WA-StateAuditor@sao.wa.gov>". Please take a few minutes to complete this survey. Your feedback is important to our on-going commitment to continually develop and improve our audit process.