



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

**Financial Schedule Audit Report**  
**Law Enforcement Officers and Fire**  
**Fighters Plan 2 Retirement Board**

**For the period July 1, 2018 through June 30, 2019**

**Published (Inserted by OS)**

**Report No. 1025065**





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

Issue Date – (Inserted by OS)

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

**Report on the Financial Schedule**

Please find attached our report on the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board’s Schedule of Expenditures – Budget Allotment to Actual.

We are issuing this report in order to provide information on specific financial activity of the Board.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
SCHEDULE PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board  
July 1, 2018 through June 30, 2019**

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

We have audited the Schedule of Expenditures – Budget Allotment to Actual and related notes (the schedule) of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board, for the year ended June 30, 2019. We performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and have issued our report thereon dated November 7, 2019.

**INTERNAL CONTROL OVER SCHEDULE REPORTING**

In planning and performing our audit of the schedule, we considered the Board’s internal control over schedule reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Board's schedule is free from material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy  
State Auditor  
Olympia, WA

November 7, 2019

**INDEPENDENT AUDITOR'S REPORT ON  
THE FINANCIAL SCHEDULE**

**Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board  
July 1, 2018 through June 30, 2019**

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

**REPORT ON THE FINANCIAL SCHEDULE**

We have audited the accompanying Schedule of Expenditures – Budget Allotment to Actual of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board, for the year ended June 30, 2019, and the related notes, which collectively comprise the Board’s schedule, as listed on page 9.

**Management’s Responsibility for the Schedule**

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a schedule that is free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board’s preparation and fair presentation of the schedule in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the schedule referred to above presents fairly, in all material respects, the budgeted and actual expenditures of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board, for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the schedule as a whole. The Supplemental Table – Prior Year Expenditure Comparison is presented for purposes of additional analysis and is not a required part of the schedule. Such information has not been subjected to the auditing procedures applied in the audit of the schedule, and accordingly, we do not express an opinion or provide any assurance on it.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019 on our consideration of the Board’s internal control over schedule reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over schedule reporting and compliance and the results of that testing, and not to provide an opinion on internal control over schedule reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over schedule reporting and compliance.



Pat McCarthy  
State Auditor  
Olympia, WA

November 7, 2019



**FINANCIAL SECTION**

**Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board  
July 1, 2018 through June 30, 2019**

**SCHEDULE**

Schedule of Expenditures – Budget Allotment to Actual – 2019  
Notes to Schedule of Expenditures – 2019

**OTHER INFORMATION**

Supplemental Table – Prior Year Expenditure Comparison – 2019

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>



Office of the Washington State Auditor

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Pat McCarthy

# Exit Conference

Presented to LEOFF Plan 2 Retirement  
Board

November 20, 2019

# About Our Office

- The Washington State Auditor's Office's vision is an increased trust in government.
- Our goal is to make government work better through increased accountability, efficiency and transparency.

# Your Audit Team



**Jim Brownell, Audit Manager** – Jim has been with the Washington State Auditor's Office since 2005 and manages the Single Audit teams. His notable work experiences include audits of the state's Comprehensive Annual Financial Report (CAFR), Statewide Single Audit - including Medicaid and financial statement audits for the Departments of Labor and Industries, Ecology and Health. He has also managed accountability audits at multiple state agencies and the state employee whistleblower program.



**Michael Hutchinson, CPA, Assistant Audit Manager** – Mike has been with the State Auditor's Office since 1996. Notable work experiences include audits of local governments for nine years and supervising the Medicaid audit for seven years. He has also supervised accountability audits at multiple state agencies since 2009.

Mike supervised this engagement.



**Justin Brackett, Assistant State Auditor**- Justin has been with the Office since 2015. Notable work experiences include Whistleblower investigations, Statewide Single and Medicaid Audits, and various accountability audits.

Justin was the audit lead for this engagement.

# SAO Executive Management



**Sadie Armijo, CFE, Director of State Audit** – Sadie has been with the Washington State Auditor’s Office since 1998. She oversees most of the state audits our Office performs. Teams under her direction include the Financial Audit team, which conducts accountability audits, as well as the annual audit of the State of Washington Comprehensive Annual Financial Report and other financial statement audits. The Single Audit team performs accountability audits and the State of Washington Single Audit, which examines state agencies’ compliance with federal grant requirements. The third team Sadie leads is the Whistleblower team, which investigates assertions of improper governmental actions at state agencies. She previously was an Assistant Director of Local Audit for five years.



**Troy Niemeyer, Assistant Director of State Audit** – Troy has been with the Washington State Auditor’s Office since 2006. As Assistant Director he assists with the statewide oversight and management of most audits of state government, including fraud and whistleblower investigations. He previously managed two local audit teams, along with the Whistleblower Program, and the Statewide Technology Audit Team (STAT). Troy is a member of the Institute of Internal Auditors.

# Audit Scope

- We performed a financial statement audit of the LEOFF Board's Schedule of Expenditures
- The schedule included expenditures that occurred for the fiscal year ending June 30, 2019

## Financial Statement Audit Results

***Unmodified*** (clean) opinion on the financial statement

- The financial statement was presented fairly, in all material respects.



# Audit Highlights

- Board staff responded to audit requests in a timely manner and were helpful and cooperative throughout the audit process.
- There were no uncorrected misstatements in the audited financial statement.
- There were no material misstatements in the financial statement corrected by management during the audit.

# What happens during a financial statement audit?

- We evaluate state agency internal controls over key financial systems and processes
- We evaluate whether there are adequate internal controls over the financial statement preparation process
- We test transactions (expenditures)
- We examine note disclosures to ensure they are fairly and clearly presented

# Areas of focus for your audit

## **Completeness -**

**Were all expenses recorded in the financial statement?**

- ❑ Testing of Board salaries & wages

## **Classification -**

**Were expenses properly classified in the financial statement?**

- ❑ Random selection and tests of Board expenses for other purchased services

# More areas of focus for your audit

## Presentation and disclosures

- ❑ Was the financial statement clearly and appropriately presented?
- ❑ Were note disclosures complete and accurate?
- ❑ If significant financial events occurred, were they properly disclosed in the statement notes?

# Audit Recommendations

We made no recommendations to management.

# Required Communications

- In your materials is a draft copy of the audit report
- The final report is scheduled to be published on our public website next week.
  - <https://portal.sao.wa.gov/saoportal/Login.aspx>
- We are pleased to report the audit identified no material misstatements requiring correction

# Audit Cost

- The cost of the audit was \$4,400
  - 40 hours x \$110 per hour
- Should the Board choose to contract with our Office next year, we estimate the number of hours and cost to be the same as this year.

# Concluding remarks

We appreciate the opportunity to work with the Board and your staff