

Washington State Auditor's Office
Accountability Audit Report

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

Audit Period
July 1, 2003 through June 30, 2007

Report No.

DRAFT

Issue Date



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

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.

We also perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). We also annually audit federal programs administered by the state of Washington for compliance with federal laws and regulations. The results of these audits are published in reports issued by the Office of Financial Management.

Sincerely,
Signature Here (Please do not remove this line)
BRIAN SONNTAG, CGFM
STATE AUDITOR

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

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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, 2003, through June 30, 2007.

We evaluated internal controls and performed audit procedures on the financial activities of the Board. We also determined whether the Board complied with state laws and regulations and its own policies and procedures. Our work focused on specific areas that have potential for noncompliance, misappropriation or misuse of public resources.

RESULTS

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

RELATED REPORTS

Our opinion on the state of Washington's basic financial statements is included in the state's Comprehensive Annual Financial Report. That report is issued by the Office of Financial Management in December of each year.

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.

CLOSING REMARKS

We thank Board management and personnel for their assistance and cooperation during the audit.

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.

AUDIT HISTORY

This was the Board's first audit that covered a four year period.

Audit Areas Examined

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

In keeping with general auditing practices, we do not examine every portion of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

ACCOUNTABILITY

We evaluated the Board's accountability and compliance with certain state laws and regulations and its own policies in the following areas:

- Disbursements
- Payroll

FINANCIAL

We perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). These financial statements are 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.

The Board had no accounts material to the state's basic financial statements.

FEDERAL PROGRAMS

Federal grant audit work is performed on a statewide basis, in accordance with the revised Single Audit Act. 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 had no major federal programs.

Washington State Auditor's Office

Exit Conference

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

July 1, 2003 through June 30, 2007



Washington _____
State Auditor
_____ Brian Sonntag

**Law Enforcement Officers' and
Fire Fighters' Plan 2 Retirement Board
Exit Conference
November 26, 2007**

Audit Scope

This audit covered the period beginning July 1, 2003 and ending June 30, 2007.

Audit Coverage

Our audit was planned and conducted using a risk-based approach in these general areas:

- Accountability for public resources / Compliance with state laws and regulations
- Financial statements
- Federal compliance

We did not examine every portion of the Board's activities during the audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse of public resources.

Accountability for Public Resources / Compliance with State Laws and Regulations

We evaluated the Board's accountability and compliance with certain state laws and regulations and its own policies in the following areas:

- Disbursements
- Payroll

Financial Statements

We perform an annual audit of the statewide basic financial statements as required by state law (RCW 43.09.310). 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.

There were no accounts material to the state's basic financial statements at the Board.

Federal Compliance

Federal grant audit work is performed on a statewide basis, in accordance with the revised Single Audit Act. 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 had no major federal programs.

Audit Reports

Accountability Reports

We will issue an individual report for the Board showing the results of our accountability audit. In addition, a statewide report will be issued that summarizes the results of all state accountability audits for fiscal year 2007.

Independent Auditor's CAFR Opinion

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 Report

This report is the result of the federally required statewide single audit of the state of Washington. The Office of Financial Management issues this report in compliance with the Single Audit Act. This report has an anticipated release date in March of each year.

Status of Prior Audit Recommendations

There were no recommendations reported to the Board due to this being the first audit of the agency.

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.

Payroll

There is no independent review of the Executive Director's leave slips.

We recommend that the Board have an independent person sign the Executive Director's leave slips.

The duties for processing leave slips and creating the Attendance Report are not adequately segregated from the reconciliation process. Without proper segregation of duties, there is no assurance that all leave taken has been properly reported.

We recommend that the duties for creating the Attendance Report and performing the reconciliation be segregated.

We will be sending an e-mail to Steve Nelson steve.nelsen@leoff.wa.gov and Shawn Merchant shawn.merchang@leoff.wa.gov 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 processes.