



Office of the Washington State Auditor

Pat McCarthy

Exit Conference

Presented to LEOFF Plan 2 Retirement
Board

November 28, 2018

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.
- The purpose of this meeting is to share our audit results and draft reporting.
- We value and appreciate your participation.

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.

Jim supervised this engagement.



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 performed the fieldwork 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, 2018

Financial Statement Audit Results

Unmodified (clean) opinion on the financial statement

- The financial statement presented fairly, in all material respects, the budgeted and actual expenditures of the Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board

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 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 employee development, facilities & related services and 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

Exit Recommendation

We made one exit recommendation to management, which *is not included or referenced* in the audit report:

- The Department of Enterprise Service's Small Agency Financial Services (DES) classified all of the Board's expenditures. The Board, however, did not review the accounting codes assigned by DES.
 - We recommend the Board review the accounting codes assigned by DES to ensure expenses are properly classified in its Schedule of Expenditures.

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 \$4,450
 - 50 hours x \$89 per hour

- Should the Board chose to contract with our Office next year, we estimate the cost will be \$3,800
 - 40 hours x \$95 per hour

Concluding remarks

- Any questions?
- We appreciate the opportunity to work with the Board and your staff