



Office of the  
Washington  
State Auditor  
Pat McCarthy

# Exit Conference

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

Scott Bills  
*Audit Manager*

Carol Gross  
*Audit Supervisor*

Erik Simonson  
*Audit Lead*

March 23, 2022

*Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of exit materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing [PublicRecords@sao.wa.gov](mailto:PublicRecords@sao.wa.gov).*

# Results that Matter



**Increased trust in government**



**Independent, transparent examinations**



**Improved efficiency and effectiveness of government**



Pat McCarthy  
State Auditor

# Accountability Audit Results

July 1, 2017 through June 30, 2021



## Results in Brief

This report describes the overall results and conclusions for the areas we examined.

In those selected areas, Board operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.



# Accountability Audit Results



Using a risk-based audit approach, for the Board, we examined the following areas during the period:

- Payroll – gross wages, overtime, leave balances and accruals, and commute trip reduction incentive payments
- Accounts payable – general disbursements, credit cards, travel expenditures, electronic funds transfers and employee reimbursements
- Open public meetings – documentation of minutes, executive sessions and special meetings
- Employee benefits – recognition awards

# OPMA – Management Letter



## Office of the Washington State Auditor Pat McCarthy

March 23, 2022

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board  
DBA LEOFF Plan 2 Retirement Board  
Tumwater, Washington

### Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the LEOFF Plan 2 Retirement Board from July 1, 2017 through June 30, 2021. We believe our recommendations will assist you in improving the Board's compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Board officials and personnel. If you have any further questions, please contact me at (564) 999-0887.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.

Sincerely,

Scott Bills, Audit Manager

Attachment

Management Letter  
LEOFF Plan 2 Retirement Board  
July 1, 2017 through June 30, 2021

### Open Public Meetings Act (OPMA)

On May 26, 2021, the Board entered into executive session to discuss a general wage increase for the 2021-2023 operating budget. However, discussing a general wage increase is not an allowable purpose for entering into executive session (RCW 42.30.110).

To strengthen internal controls and ensure compliance with OPMA requirements, we recommend:

- Trustees, during their annual OPMA training, receive an overview of Chapter 3.5 and 3.7 from the Attorney General's Office's *Open Government Resource Manual*. These two sections address activities constituting "action," "final action," and a "meeting," as well as which specific topics governing bodies can discuss in executive session.
- The Board Chair use a quick reference guide for executive sessions when notifying the public about the purpose of entering into executive session.

# Closing Remarks

- Audit costs are in alignment with our original estimate.
- Next audit: September 2022
  - Financial statement

An estimated cost for the next audit has been provided in our exit packet





# Report Publication

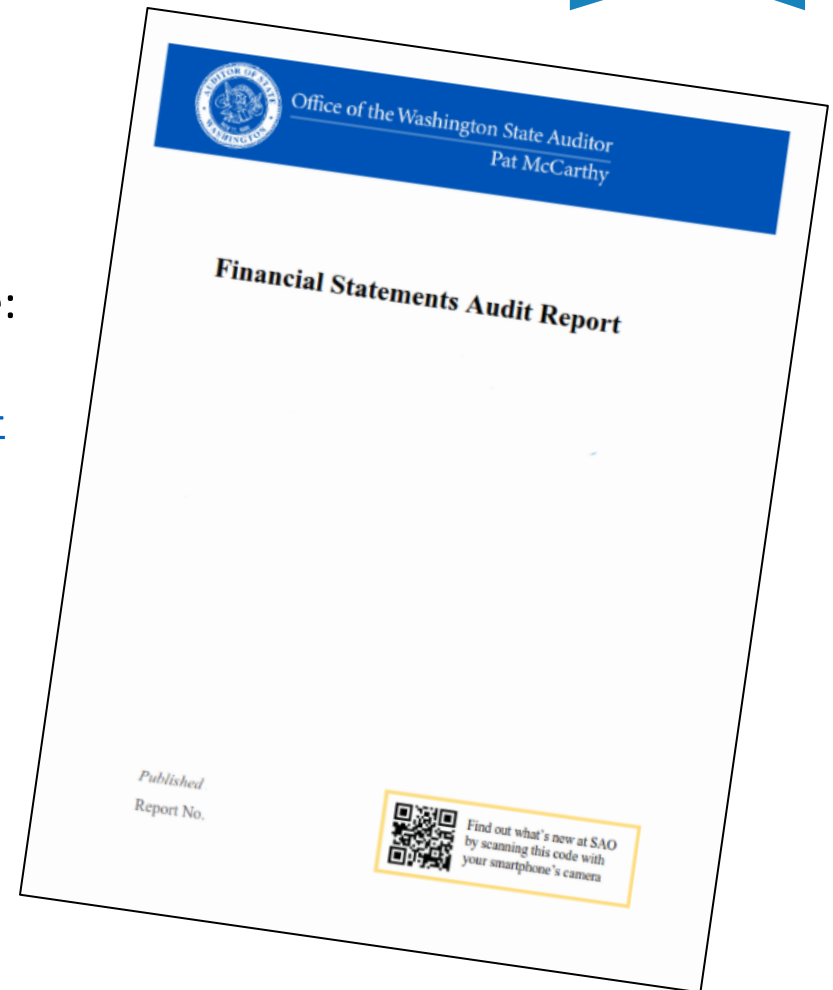
- ✓ Audit reports are published on our website.
- ✓ Sign up to be notified by email when audit reports are posted to our website:

<https://sao.wa.gov/about-sao/sign-up-for-news-alerts/>

## Audit Survey

When your report is released, you will receive an audit survey from us.

We value your opinions on our audit services and hope you provide feedback.



# Thank You!



- Board staff responded to audit requests in a timely manner and were helpful and considerate.
- We would especially like to thank Jessica Burkhart, Administrative Services Manager, for her cooperation and timely response to our requests during the audit.
- We noted that the Board was receptive to feedback and was quick to implement our recommendations.



# Questions?



Contact Scott Bills, Audit Manager

[Scott.Bills@sao.wa.gov](mailto:Scott.Bills@sao.wa.gov)

(564) 999-0887



## Office of the Washington State Auditor

Pat McCarthy

### **Exit Conference: LEOFF Plan 2 Retirement Board**

**March 23, 2022**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

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

#### **Audit Report**

We will publish the following report:

- Accountability audit for July 1, 2017 through June 30, 2021 – see draft report.

#### **Audit Highlights**

- Board staff responded to audit requests in a timely manner and were helpful and considerate.
- We would especially like to thank Jessica Burkhart, Administrative Services Manager, for her cooperation and timely response to our requests during the audit.
- We noted that the Board was receptive to feedback and was quick to implement our recommendations.

#### **Recommendations not included in the Audit Report**

##### **Management Letters**

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in a letter to management related to the Open Public Meetings Act.

##### **Exit Items**

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity. Exit items are not referenced in the audit report.

#### **Finalizing Your Audit**

##### **Report Publication**

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal>.

## **Management Representation Letter**

We have included a copy of representations requested of management.

### **Audit Cost**

At the entrance conference, we estimated the cost of the audit to be \$21,240 and actual audit costs will approximate that amount.

### **Your Next Scheduled Audit**

Your next audit is scheduled to be conducted in September 2022 and will cover the following general areas:

- Financial Statement

## **[Working Together to Improve Government](#)**

### **Audit Survey**

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

### **[Questions?](#)**

Please contact us with any questions about information in this document or related audit reports.

**Sadie Armijo, CFE, Director of State Audit and Special Investigations, (564) 999-0808, [Sadie.Armijo@sao.wa.gov](mailto:Sadie.Armijo@sao.wa.gov)**

**Jim Brownell, Assistant Director of State Audit and Special Investigations, (564) 999-0872, [Jim.Brownell@sao.wa.gov](mailto:Jim.Brownell@sao.wa.gov)**

**Scott Bills, Audit Manager, (564) 999-0887, [Scott.Bills@sao.wa.gov](mailto:Scott.Bills@sao.wa.gov)**

**Carol Gross, Assistant Audit Manager, (564) 999-0897, [Carol.Gross@sao.wa.gov](mailto:Carol.Gross@sao.wa.gov)**

**Erik Simonson, Audit Lead, (564) 999-0966, [Erik.Simonson@sao.wa.gov](mailto:Erik.Simonson@sao.wa.gov)**



Office of the Washington State Auditor  
Pat McCarthy

**Preliminary Draft - Please do not duplicate, distribute, or disclose.**

## **Accountability Audit Report**

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

**(LEOFF Plan 2 Retirement Board)**

**For the period July 1, 2017 through June 30, 2021**

*Published (Inserted by OS)*

Report No. 1029904



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## Office of the Washington State Auditor Pat McCarthy

Issue Date – (Inserted by OS)

Steve Nelsen  
Board of Trustees  
LEOFF Plan 2 Retirement Board  
Olympia, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Board operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Board's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy, State Auditor  
Olympia, WA

### *Americans with Disabilities*

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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## AUDIT RESULTS

### Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Board operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

However, we noted certain matters related to the Open Public Meetings Act that we communicated to Board management and the Board of Trustees in a letter dated March 23, 2022. We appreciate the Board's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of LEOFF Plan 2 Retirement Board from July 1, 2017 through June 30, 2021.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Agency's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2021, 2020, 2019 and 2018, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – gross wages, overtime, leave balances and accruals, and commute trip reduction incentive payments
- Accounts payable – general disbursements, credit cards, travel expenditures, electronic funds transfers and employee reimbursements
- Open public meetings – documentation of minutes, executive sessions and special meetings
- Employee benefits – recognition awards

## INFORMATION 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 Board was established in July 2003. The 11-member governing Board is comprised of three active fire fighters, three active police officers, three employers and two legislators. Board Members are appointed by the Governor.

The Board is a policy-making body 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 has one office located in Tumwater, staffed with eight employees who provide research and administrative assistance. Funding for the Board comes from the LEOFF 2 pension fund. In 2021, the Board had an annual operating budget of \$1.6 million.

### Contact information related to this report

Address:	LEOFF Plan 2 Retirement Board P.O. Box 40918 Olympia, WA 98504-0918
Contact:	Jessica Burkhardt, Administrative Services Manager
Telephone:	(360) 586-2322
Website:	<a href="http://www.leoff.wa.gov">www.leoff.wa.gov</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the LEOFF Plan 2 Retirement Board at <http://portal.sao.wa.gov/ReportSearch>.



## ABOUT THE STATE AUDITOR’S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor’s Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)



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

March 23, 2022

Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board  
DBA LEOFF Plan 2 Retirement Board  
Tumwater, Washington

Management Letter

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Sincerely,

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Scott Bills, Audit Manager

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LEOFF Plan 2 Retirement Board  
July 1, 2017 through June 30, 2021

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STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'  
PLAN 2 RETIREMENT BOARD**

*P.O. Box 40918 • Olympia, Washington 98504-0918 • (360) 586-2320 • (360) 586-2329 FAX • [recep@leoff.wa.gov](mailto:recep@leoff.wa.gov)*

March 23, 2022

Office of the Washington State Auditor  
3200 Sunset Way S.E.  
P.O. Box 40031  
Olympia, WA 98504-0031

To the Office of the Washington State Auditor:

We are providing this letter in connection with your accountability audit of the LEOFF Plan 2 Retirement Board for the period from July 1, 2017 through June 30, 2021. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant. Information is considered significant if it is probable that it would change or influence the judgment of a reasonable person.

We confirm the following representations made to you during your accountability audit, to the best of our knowledge and belief, and based on appropriate inquiries to support them. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

**General Representations:**

1. We have provided you with unrestricted access to people you wished to speak with and made available requested and relevant information of which we are aware, including:
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Internal audits performed pursuant to the State Agency Accounting Manual (SAAM) or other internal or external audits, examinations, investigations or studies that might concern the objectives of your audit, and the corrective action taken to address their significant findings and recommendations.
  - d. Communications from regulatory agencies, government representatives or others concerning possible significant noncompliance, deficiencies in internal control or other matters that might concern the objectives of your audit.



- e. Results of our internal assessment of business risks and risks related to financial records and related data, compliance and fraud, as determined under SAAM section 20.20.
2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information. We have notified you when an Agency Data Sharing/Safeguarding Agreement or special handling may be necessary between our agencies to help clarify expectations of both parties to secure and protect private information in records provided for audit.
  3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements in the areas covered by your audit.
  4. Except as discussed with you, we have complied with all significant aspects of laws, regulations, contracts and grant agreements in the areas covered by your audit.
  5. We acknowledge our responsibility under SAAM section 20.10 for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud, in the areas covered by your audit.
  6. Except as discussed with you, we have established adequate internal controls to provide reasonable assurance of achieving the objective of safeguarding public resources and compliance with applicable laws and regulations in the areas covered by your audit.
  7. We have no knowledge of known or suspected loss of public funds or assets or other illegal activity, or allegations of fraud or suspected fraud involving management or employees.
  8. All significant events and transactions have been properly recorded in the financial records of the LEOFF Plan 2 Retirement Board.



Steve Nelsen  
Executive Director



Jessica Burkhardt  
Administrative Services Manager