



Washington State Auditor's Office

Government that works for citizens

Updates and Emerging Issues

Association of Washington Public Facilities
Districts
Annual Conference
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Objectives

- Snapshot of all Local Government Audits
- Public Facilities District Audit Perspective
- Frequently reported areas
 - What to look for on these topics moving forward
- Potential areas of focus for the 2015 audits being conducted in 2016
- Special Report on Transparency
- RESOURCES
- What's new in BARS and online reporting
- Continuous Improvement – what are we up to?

2015 Snapshot: Local Government Audits

Local governments audited annually:

2014	2015
1,391	1,426

Management letters issued:

2014	2015
236	269

Reports issued by type of audit

	2014	2015
Accountability	1,321	1,277
Financial & Federal	450	468
Financial	407	391
Special	22	107
Investigations	13	7
Attestation engagements	24	147
Total:	2,237	2,397

Findings issued by type of audit

	2014	2015
Federal	85	91
Financial	70	76
Accountability	93	72
Attestation engagement	0	5

Note: One audit can receive multiple findings.

2015 Highlights

- **Lack of internal controls** in key financial systems and not complying with federal grant requirements continue to account for the majority of all audit issues.
- **Attestation audits** identify lack of knowledge of pension plan rules
- **First charter school audit in state.** Our accountability audit found school management did not correctly report required information to the state, had not properly accounted for the use of some public funds, inappropriately mixed the business expenses of the private parent organization with those of the public charter school, and failed to follow provisions of the Open Public Meetings Act.
- **Fraud investigations identified almost \$400,00 stolen.** We conducted 28 investigations of misappropriation, amounting to \$387,127. The largest cases involved the theft of cash payments, grant payments, payroll and general disbursements, and misappropriation of assets.

To view the reports and findings or subscribe to our service go to: www.sao.wa.gov

Audit Reports Issued by Government Type

Government Type	Reports		Government Type	Reports	
	2014	2015		2014	2015
School Districts	444	567	Library District	26	31
City/Town	423	437	Park and Recreation District	20	39
Fire Protection District	238	272	Regional Planning Council	20	15
Water/Sewer District	153	174	Educational Service District (ESD)	19	17
Port/Airport District	94	88	Miscellaneous	18	27
County	91	99	Health District	18	22
Diking/Drainage District	83	47	Transportation Benefit Districts	18	24
Cemetery District	75	47	Mosquito/Pest/Weed District	15	24
Public Utility District (PUD)	63	56	Economic/Industrial Development	13	8
Hospital District	60	52	Area Agency on Aging	10	8
Housing Authority	54	46	Local/Regional Trauma Care Councils	8	0
Irrigation and Reclamation District	51	66	Regional Support/Community Network	7	7
Transportation Authority	46	44	Air Pollution District	6	16
Emergency Management Service	32	32	Government Association	6	5
Insurance Pool/Risk Management	32	26	Flood Control District	5	12
Public Development Authority	30	28	Stadium Authority	2	0
Conservation District	28	25	Water Conservancy Board	2	10
Public Facilities District	26	22	TV Reception District	1	3
Public Charter Schools	0	1			
			Grand Total	2,237	2,397

Number of Exceptions by Category

Area of Issue	Exceptions		Area of Issue	Exceptions	
	2014	2015		2014	2015
Accounting/Financial Reporting	796	1,045	Gift of Public Funds	21	15
Grants (Federal)	435	479	IT Controls	19	11
Cash Receipting	360	324	Insurance/Risk Management	17	12
Disbursements/Expenditures	249	240	Investments/Deposits	17	7
Procurement/Bid/Prevailing Wage	191	163	Conflict of Interest/Ethics	14	15
Safeguarding of Assets/Property	184	224	Grants (State/Local)	14	15
Payroll/Personnel	179	229	Misappropriation	12	6
Miscellaneous	133	138	Surplus Property	9	6
Open Public Meeting/Record	104	137	Taxes/Assessments	9	8
Billings/Receivables	100	66	Budget Compliance	8	13
Apportionment (Transportation)	95	1	Donations/Fundraising	6	8
Contracts/Agreements	91	74	Misuse/Abuse	5	4
Financial Condition	87	88	Debt/Covenants	0	3
Restricted Funds	55	88	Danger to Public Health/Safety	0	0
ASB (Legal Compliance)	53	62	Police/Jail (Legal Compliance)	0	0
Apportionment (Staff Mix)	45	54	Authority	0	0
Apportionment (Enrollment)	35	86	Courts (Legal Compliance)	0	0
Interfund Transactions/Balances	34	39			
			Grand Total	3,377	3,645

Reporting Levels

- Findings
 - formally address issues in an audit report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or non-compliance with laws, regulations or policies. You will be given the opportunity to respond to a finding and this response will be published in the audit report.
- Management Letters
 - communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other issues with significance to the audit objectives. Management letters are referenced, but not included, in the audit report.
- Exit Items
 - address control deficiencies or non-compliance with laws or regulations that have an insignificant or immaterial effect, or errors with an immaterial effect on the financial statements. These issues are informally communicated to management.

Issue by Category for PFD's

Area of Issue	Issue		Area of Issue	Issue	
	2014	Findings		2014	Findings
Accounting/Financial Reporting	27	4	Financial Condition	7	0
Grants (Federal)	3	1	Cost Allocation Plans	2	0
Cash Receipting	5	0	Report Filing	3	0
Other	5	0	Bond Compliance	2	0
Safeguarding of Assets/Property	4	0	Purchase Cards	1	0
Payroll/Personnel	2	0	Open Public Meeting/Record	2	0
Gift of Public Funds	2	1	Annual Report Filing	3	0
Contracts/Agreements	2	0	Debt	2	0
Procurement/Bid/Prevailing Wage	4	0	IT Controls	1	0
Disbursements/Expenditures	8	0	Conflict of Interest/Ethics	1	0
Bond Compliance	2	1	Promotional Hosting	1	0
			Grand Total	89	7

Frequently Reported: Lack of Internal Controls in Reporting

- Types of Errors
 - Large or numerous errors that were not detected by the review process
 - Difficult to implement Accounting Standards Changes
- Resources
 - BARS Manual
 - Network with other professionals and associations
 - SAO Help desk (client portal)
 - New Tool: Checklist for Accounting Standards Changes
- Training
 - In conjunction with Washington Finance Officers Association including conference and non-conference classes. See WFOA.org
 - See SAO.wa.gov (Training Resources Library)

Checklist for Accounting Standards Changes

- Identify and assess changes
 - Assign responsibility to be aware of and research applicability of new GASB's.
 - Consider subscribing to relevant publications and attending training
- Plan for the change
 - Document the steps you take
- Implement
 - Make the necessary changes to your financial records
- Evaluate

Checklist

- <http://portal.sao.wa.gov/PerformanceCenter/>



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Checklist for Accounting Standards Changes

Purpose
To ensure financial statement preparation team performs sufficient research to correctly and timely implement changes in GASB standards. This form should be adjusted to reflect the assigned responsibilities and processes for financial statement preparation at each government.

Instructions
[Assigned person] should complete this form for each new GASB within [timeframe] months of issuance, then share it with members of the [financial statement preparation team] to review the preliminary conclusion. [Assigned person or

GASB Update

- Six new standards effective for 2016
 - ❑ Fair Value (GASB 72)
 - ❑ Pensions not through a trust (GASB 73)
 - ❑ Hierarchy of GAAP (GASB 76)
 - ❑ Tax abatement disclosures (GASB 77)
 - ❑ Union Sponsored Pensions (GASB 78)
 - ❑ External Investment Pools (GASB 79)
- On the horizon (effective 2018)
 - ❑ Other post employment benefits (GASB 75)

Frequently Reported: Federal Grants

- New Uniform Guidance (effective December 26, 2014)
 - New requirements apply to new awards and additional funding to existing awards made after December 26, 2014 (contract your grantor for additional information)
 - Single audit threshold increases to \$750,000
 - Changes to how we select grants for audit
 - Why so difficult?
 - Level of Reporting decisions
 - Resources:
 - <https://cfo.gov/COFAR>
 - WFOA.org (SAO presentations)

Current Areas of Accountability Audit Focus

Financial Sustainability

- We are currently focusing on identifying PFD's that are having financial condition issue:
 - Focus:
 - Unstable Revenues
 - Market Competition
 - Key Suppliers

Contracting

- Contracting with vendors for district management and a variety of services

Financial Statement preparation and review

- What controls are in place to ensure the financial statements are prepared correctly

Current Areas of Financial Audit Focus

GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Replaces Statement No. 27)

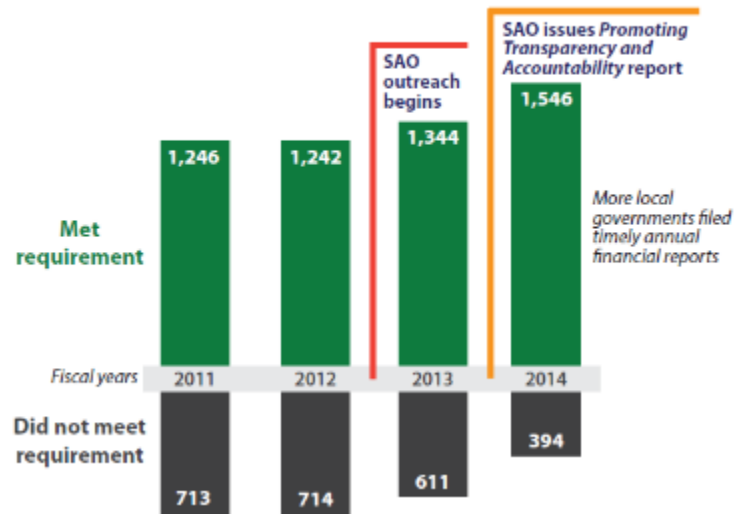
- Effective for the year ended December 31, 2015
- Establishes standards of financial reporting for governments that provide pension benefits including those provided through the State's plans
- Net pension liability moves from a note disclosure to being reporting in the financial statements (Schedule 9 for cash basis reporters)
- What we are doing to help:
 - Updated the BARS manual
 - Presented trainings throughout the state ~ webinars still available
 - Worked one on one with governments to provide technical assistance
- Is this the same as a GASB 68 Examination Report?

Follow-up Special Report

Local Governments: Increased Transparency and Accountability

■ Special Report

The number of local governments that filed annual financial reports as required increased



Local Governments: Increased Transparency and Accountability (pdf, #5068), discusses the great improvements local governments have made in filing their state-mandated financial reports, as roughly 200 more governments filed timely annual financial reports than in 2013. It also has information about the consequences of not filing, and our plans for continued outreach to help more governments comply. Click here to read the previous report, Local Government: Promoting Transparency and Accountability.

The same data available in the report is also available as an interactive data visualization below. Scroll below the presentation for a video.

Follow-up Special Report: Promoting Transparency and Accountability

Big Improvements since last report | **The majority met the requirement** | Detail by filing status | State Auditor's Office outreach | Contact Information

The majority of governments in the state met the filing requirement. You can view the data for fiscal year 2014 reports in a variety of ways, including by government type and whether or not they met the filing requirement. Use the filters to the right to narrow the results by type of government or filing requirement status. Clicking on a county in the map will filter the table below based on the county and filing requirement status you have selected.

- Type of Government
 - All
 - Air Pollution District
 - Area Agency on Aging
 - Cemetery District
 - City/Town
 - Conservation District
 - County
 - Drainage/Dredging District
 - Economic/Industrial Development
 - Emergency Management Service
 - Fire Protection District
 - Food Control District
 - Health District
 - Homecare District
 - Housing Authority
 - Insurance Pool/Risk Management
 - Irrigation and Reclamation District
 - Library District
 - Local/Regional Trauma Care Councils
 - Metropolitan
 - Mosquito/Pest/Weed District
 - Park and Recreation District
 - Port/Harbor District
 - Public Development Authority
 - Public Facilities District
 - Public Utility District (PUD)

Resources

- Cybersecurity Performance Audit
- New Online Training library www.sao.wa.gov
- Local Government Performance Center Resource Database
- Lean Guidance and Training
- Resources developed in conjunction with Municipal Research and Services Center (MRSC) www.mrsc.org
 - Find Your Contracting Requirements
 - Utility Billing
 - Open Public Meetings Act/Public Records Act
- [Financial Intelligence Tool](#)



Changes

- BARS - Added mandatory accounts for GAAP
- Website Improvements – New quick links
- Report Issuance Notification – NEW!
- Online filing
 - More tutorials and “pop up” help
 - Ability to move between steps in the filing process
- Elimination of Duplicative Reporting
 - Street Report (WSDOT)
 - GO Bond Survey (Commerce)

Continuous Improvement

- Revised Survey ~ to generate valuable feedback
- Media Inquiries ~ Adam Wilson, Deputy Director for Communications (360) 902-0367
- Audit Dispute Process
- Training and staff retention
- Proactive changes



Washington State Auditor's Office

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- QUESTIONS