



Exit Recommendations
San Juan County
January 1, 2022 through December 31, 2022

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Accountability:

Conservation Land Bank

The Conservation Land Bank (CLB) has an established control structure in County code where the CLB must obtain an approved amended budget prior to making payments towards the acquisition of new properties.

We identified two instances not in compliance with County code 2.120.090 during our testing. We further identified three instances in our testing where the CLB had the County Council accept a statutory warrant deed, prior to the approval of the budget from County Council. During our review, we observed that the CLB may encounter timing issues where the County could risk being in default for real estate transactions if payments aren't made, however, County code does not currently allow for exceptions.

The CLB currently does not currently have a procedure upon property close-out to ensure that all maintained template documentation is updated to clearly reflect the control process and narrative of the purchase.

We recommend that the Conservation Land Bank improve controls over documentation review to ensure compliance with County code during the land acquisition process and after closing. We additionally recommend the County review County code to ensure that the expectations set for the Conservation Land Bank align with the actual process.

Cash receipting and petty change procedures

During our audit, we reviewed the cash receipting process at several locations, including the Sheriff's office and District Court. The Sheriff's office utilizes a petty cash fund for special investigative funds. This fund is reconciled through an informal procedure, such as personal notes. The District Court maintains its overnight deposit bags in a locked drawer, however, the key for this drawer is stored unsecured on a nearby hook.

We recommend the County formalize the petty cash reconciliation process within the Sheriff's office to ensure accurate tracking and accountability for petty cash funds. We additionally recommend the County improve controls over the District Court's nightly deposits to ensure the safeguarding of public funds.

Sheriff's Office Property Room

We identified the following areas for improvement during our review of the property room:



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- The County's current process for creating new property records as "intake" does not identify or provide context for which island the item is in "intake" on.
- We observed that one evidence item was documented in the County's system as being in the lower security area (high density/general property room) but was maintained in the correct higher security narcotics room. Therefore, the tracking information was inaccurate.
- There are no security cameras in the property room, though there is a camera outside of the property room.

We recommend the County improve controls over the Sheriff's office property room to ensure identifiability, assignability, and security for all items held as evidence.

Open Public Meetings Act compliance

While the minutes clearly document that executive sessions are being announced, it is not clear that the specific end time and the allowable reason for adjourning into executive session are also being announced. Specifically, we identified the following areas for improvement during our review of the County Council meeting minutes:

- Four instances where the County remained in executive session past the announced duration without a documented extension
- 16 instances where the County announced the estimated duration of the meeting, rather than the time the meeting would reconvene
- Three instances where the County re-adjourned from executive session prior to the announced time
- One instance where the County did not announce the estimated duration or time of reconvening from executive session prior to adjourning into executive session.

We recommend the County ensure that meeting minutes clearly document the purpose and specific end time of executive sessions in compliance with RCW 42.30.110.

Financial Statements:

Financial statement presentation errors

During our audit, we identified financial statement reporting errors during our review of the notes and statements. These were more minor classification errors not caught by the County's usual control structure:



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- The County improperly categorized \$2,539,235 in the Clean Water utility fund as Committed, rather than Assigned. The County misclassified \$531,432 in the capital improvements fund as Restricted, rather than Committed and Assigned.
- The County overstated \$94,481 in revenues in the County Roads fund through improper BARS codings and understated revenues by the same amount in the Mental Health Services Fund.
- The County reported ALN 97.036 with other award number 21RD.019 and underreported the federal expenditure amount by \$13,56 on the SEFA.

We recommend the County correct the errors and continue to improve controls over the financial reporting process.

GASB 87 Lease accounting

The County implemented the new leasing BARS standards during the audit period. During our review of the reported lease balances, we determined the County misinterpreted a sublease with another entity and recorded the full lease liability, rather than just the County's portion of the sublease. This led to the following financial statement impacts on the County's Schedule of Long-Term Liabilities:

- Lease beginning balance overstated by \$688,675
- Lease reductions understated by \$580
- Lease ending balance overstated by \$689,254

We recommend the County continue to improve controls over reported lease balances, and review source documentation to ensure applicability determinations are properly interpreted.