



Greetings

# WFOA

2021!



## Hello, public service partners!

As we begin the 2021 Annual Conference for the Washington Finance Officers Association, SAO is working harder than ever to assist you as we all navigate the ongoing pandemic. This electronic version of our quarterly newsletter is packed with helpful items – we look forward to working together.

### McCarthy's Corner

#### Reaffirming our commitment to good government

No matter what we do in public service, we strive for good government – government that delivers, is responsive, and accountable.

For us at the Office of the Washington State Auditor, that effort goes back to 1889 and the state Constitution, which charged us with auditing all public accounts. This fall, we're honoring that tradition with the motto, "Rooted in Good Government."



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The pursuit of good government happens in every county, city and special purpose district in Washington. All were created to serve their communities and fulfill specific missions, and they are working hard every day to honor public expectations.

You'll be hearing from us about good government at this year's Washington Finance Officers Association conference (and we look forward to hearing from you, too). In addition to the sessions we're leading, we've added some fun extras for this conference, like a chance for your government to be selected to receive a training of your choice from SAO. I've even put together a "good government" recipe for the fall.

You can find those extras at our virtual booth at the conference. I hope you stop by! The online format has given us all the opportunity to experiment as we continue serving the public in a changing work environment. A year ago, a virtual conference was a novel idea. Now, we've all adapted, and we're adding more content and interest to create an enriching experience.

While our technological skills are increasing, for me, being rooted in good government starts with the people who do the work. Every day, public servants are

ensuring our roads are safe, our water is clean, our communities are healthy, and so much more. Without highly trained and dedicated public servants, there is no good government.

That includes highly trained and dedicated financial professionals. In every State Auditor's Stewardship Award we give, we try to highlight the individuals in key positions who have prioritized accountability. We know from experience that these committed servants are the key to maintaining public transparency and avoiding audit issues.

I know you're committed to good government. We have a lot of information in this edition of the Audit Connection to help you and your government. Thank you for your work, and we will see you at the conference!



Pat McCarthy

[Pat.McCarthy@sao.wa.gov](mailto:Pat.McCarthy@sao.wa.gov), (564) 999-0801

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## New requirement: Data Sharing Agreements

Under a bill passed by the Legislature this year, data sharing agreements (DSAs) will be required for all state and local governments exchanging data.

- **ESSB5432:** "Concerning cybersecurity and data sharing in Washington state government."

These agreements will merely codify all steps we already take to protect data. DSAs clarify roles and

responsibilities, and help ensure all governments are meeting standards.

We proactively implemented data sharing agreements on July 1 for all active audits. As of Aug. 1, more than 1,500 clients had established DSAs with our office.

If you have questions, contact your **local audit manager**.

# Flexibility and communication are key to performing timely audits

When the Office of the Washington State Auditor moved to remote auditing in March 2020, we were wading into uncharted territory. Luckily, the transition was successful, and we are planning to use remote or hybrid approaches for our future audit work.

While remote auditing can be challenging, we have found flexibility and good communication are key to performing timely audits. This includes coordinating client staff availability, video conferencing, and document sharing. For example, when clients cannot share records electronically, we will coordinate obtaining or viewing physical records, including picking them up or scheduling on-site visits (while respecting all applicable pandemic protocols, of course).

To help remote audits go smoothly, we are prioritizing clear and frequent communication with clients. Though the following strategies are not new, they will help ensure clients are informed during every stage of a remote or hybrid audit.

**Pre-audit meetings.** These meetings are extremely valuable for ensuring we get off to a good start. Generally, this is when we discuss the timing and logistics of the audit. During this meeting, we also discuss the document request list and how clients will share documents.

**Document request lists.** Our auditors often compile a list of documents we anticipate we will need in order to complete an audit. Generally, the list starts with

items we will need to plan the audit, such as meeting minutes, responses to prior audit recommendations, and answers to some general questions about events that occurred during the audit period. The list also includes other documents that we know we will need later in the audit, such as bank statements, reconciliations, and debt agreements for a financial statement audit. Sometimes these lists can appear overwhelming at first glance, so please work with your auditors to coordinate how to tackle this list.

**Audit status meetings.** These meetings should be held at least weekly. However, they can occur more frequently if needed to facilitate a successful audit. This is a good time for us to discuss the progress of the audit, any outstanding requests or questions, and any potential areas of concern or recommendations. These meetings are a perfect time for you to ask questions or let us know if something is not working for you so we can make adjustments.

Additionally, we have moved to using video conference applications, such as Microsoft Teams, for meetings. Video conferencing allows auditors and clients to look at documents together and collaborate more effectively. Through strategic use of new technology, as well as clear, consistent communication from SAO, the future of our audit work is bright.

If you have any questions about the remote auditing process, please contact your local audit manager. Need help finding your audit team? Visit <https://sao.wa.gov/about-audits/find-your-audit-team/>.



## Single audit alert: Updated guidance for due dates and items reported on the Schedule of Expenditures of Federal Awards (SEFA)

Over time, there have been a number of changes to the guidance for single audit due dates and information to be reported on the Schedule of Expenditures of Federal Awards (SEFA).

In July 2020, we told you about changes to the single audit due dates and information required to be reported on the SEFA. Additional guidance was published in the [2020 Compliance Supplement Addendum](#) on Dec. 22, 2020, and in [Memorandum M-21-20](#) on March 19, 2021, by the U.S. Office of Management and Budget. Recent updates in July 2021 by a federal agency has changed some of this information.

As you read through the entire Addendum and M-21-20, here are some key items for your attention:

### Single audit due dates

The Addendum contained a 3-month single audit due date extension for certain entities having a year-end in 2020 and that received COVID-19 funding.

M-21-20 contained different extension guidance that affects all entities that had not filed their single audits with the Federal Audit Clearinghouse as of March 19, 2021. This additional guidance allowed a six-month extension and applies to all entities, not to only those receiving COVID-19 funding.

The table below includes affected year-ends and new due dates. The table continues on to the bottom of page 5.

Fiscal Year Ended	Original 9-month Due Date	Extended Due Date – Addendum (if filed before 3/19/2021)	Extended Due Date – M-21-20 (if unfiled at 3/19/2021)
Jan. 31, 2020	Oct. 31, 2020	Jan. 31, 2021*	April 30, 2021
Feb. 29, 2020	Nov. 30, 2020	Feb. 28, 2021*	May 31, 2021
March 31, 2020	Dec. 31, 2020	March 31, 2021*	June 30, 2021
April 30, 2020	Jan. 31, 2021		July 31, 2021
May 31, 2020	Feb. 28, 2021		Aug. 31, 2021
June 30, 2020	March 31, 2021		Sept. 30, 2021

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July 31, 2020	April 30, 2021		Oct. 31, 2021
Aug. 31, 2020	May 31, 2021		Nov. 30, 2021
Sept. 30, 2020	June 30, 2021		Dec. 31, 2021
Oct. 31, 2020	July 31, 2021		Jan. 31, 2022
Nov. 30, 2020	Aug. 31, 2021		Feb. 28, 2022
Dec. 31, 2020	Sept. 30, 2021		March 31, 2022
Jan. 31, 2021	Oct. 31, 2021		April 30, 2022
Feb. 28, 2021	Nov. 30, 2021		May 31, 2022
March 31, 2021	Dec. 31, 2021		June 30, 2022
April 30, 2021	Jan. 31, 2022		July 31, 2022
May 31, 2021	Feb. 28, 2022		Aug. 31, 2022
June 30, 2021	March 31, 2022		Sept. 30, 2022

*\* If a single audit report for this year-end was not filed with the Federal Audit Clearinghouse as of March 19, 2021, the extended due date would be in the next column. If the single audit report was filed on or before this date, then the extended due date in this column would apply if the entity received COVID-19 funding.*

*Note: If the due date falls on a weekend or federal holiday, it changes to the next business day.*

No application or approval is needed in either case to use the applicable extension. Entities that take advantage of the extension period must document

the reasons for doing so, which does not jeopardize their future qualification for “low-risk” status under 2 CFR §200.520.

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Remember, the guidance in the Addendum and M-21-20 only affects one of the criteria for determining the actual audit submission due date. Under federal law (2 CFR §200.512), the entity's due date for an audit submission is the earlier of 1) 30 calendar days after receipt of the audit report, or 2) nine months after the end of the audit period (plus extension).

## Schedule of expenditures of federal awards (SEFA)

Additional SEFA guidance was also issued in the Addendum for:

### Provider Relief Program (CFDA 93.498) (PRF)

– **7/2021 UPDATE:** The original guidance for this program in the 2020 Compliance Supplement Addendum has now changed. The U.S. Department of Health and Human Services (HHS) has opened its [PRF reporting portal](#) and issued [PRF Frequently Asked Questions](#) to provide information about when amounts will be reported there and on the SEFA.

- This program, including lost revenue, will now be first reported on the SEFA for years ending on or after June 30, 2021. **No amounts related to this program are to be reported on the SEFA for fiscal years ending prior to that date, including calendar year 2020.**
- For fiscal years ending June 30, 2021 and following, the footnotes to the SEFA should contain a disclosure stating that the amount reported (including lost revenue) is based on the PRF reported to the U.S. Department of Health and Human Services.

### Donated personal protective equipment (PPE) –

Some entities received donations of PPE from federal or pass-through agencies for use in their COVID-19 response activities, without an indication of its value.

- Receiving entities should assign a value to the PPE based on its fair market value and report it in a footnote to the SEFA. The value would not be reported with federal program expenditures on the SEFA and may be marked “unaudited.”

- The value of the PPE is not counted toward the federal single audit threshold, nor will it be included in the process of selecting federal programs for the single audit.

### Education Stabilization Fund under the CARES Act (CFDA 84.425):

- This funding was subdivided into programs as indicated by letters (84.425A – 84.425P) and some further grouped by those covered by the Education Stabilization Fund and by the Higher Education Emergency Relief Fund.
- The SEFA should list the expenditure amounts by individual program, including the letter (e.g., 84.425C, 84.425D, 84.425E, 84.425F), and include a total for the entire program (84.425).
- The program as a whole will be considered in the process of selecting federal programs for the single audit.

Further, we've learned that COVID-19 vaccines distributed to entities are not considered federal financial assistance because they remain federal property until administered to an individual. Therefore, amounts related to vaccines do not need to be included on the SEFA or in the footnotes.

Finally, State Auditor Pat McCarthy has encouraged entities to “**Document, Document, Document**” as it relates to expenditures of COVID-19 awards. The Addendum directs auditors to consider the awarding agency guidance existing at the time of the expenditure when determining compliance with applicable requirements. Some guidance has changed over time. Therefore, it will be especially important for that documentation to demonstrate how the expenditure met the requirement at the time.

SAO understands all of us in government are working in extraordinary circumstances. We will continue to monitor the situation and keep you apprised of any further developments. Please also remember, we are here to help governments across Washington. Contact [your audit team](#) or submit a [HelpDesk](#) question.

## Do you need a federal single audit? You might for the first time! Prepare early with these 5 tips

With the pandemic, many governments have and will receive additional federal funding, such as the Cares Act or the American Rescue Plan Act. For some governments, this might mean going through a federal single audit for the first time.

A federal single audit is required when you spend more than \$750,000 of federal funds in one year, regardless of whether those federally sourced funds came directly from the federal government or were passed through from a state or local government.

If you anticipate meeting this federal funding threshold, the time to start preparing for an audit is as soon as you receive an award.

Federal single audits are a bit different from other types of audits, as they are compliance driven. The grantor determines which requirements you must follow and which are subject to audit. Our audit will evaluate and test the internal control processes you put in place over each grant requirement, as well as test that you are in compliance with it.

Here are five tips to help get you started:

- 1. Identify your compliance requirements subject to audit.** First, thoroughly read your grant agreement and the grant requirements you agreed to when accepting the award. We test a selection of requirements, which you can find listed for most federal programs in the OMB Compliance Supplement (along with the suggested audit procedures). We expect the 2021 compliance supplement to be issued soon. The compliance supplements can be found here: [www.whitehouse.gov/omb/office-federal-financial-management/](http://www.whitehouse.gov/omb/office-federal-financial-management/).
- 2. Contact your grantor directly with questions.** Your grantor is the best source of information for any uncertainty or questions you have about grant compliance. Be sure to get the grantor's response in writing, or confirm conversations in writing in a follow up email, and maintain this documentation for audit. The best advice we can give is don't wait, resolve your questions and issues timely.
- 3. Identify your key internal controls over each compliance area and make sure they are documented.** For each applicable requirement, you should have a process in place designed to ensure you are in compliance. You should document these processes in writing, and it's particularly important to maintain documentation and how you carried out the controls you designed. For example, if your control is a report review, make sure the review is documented and that documentation is retained for audit.
- 4. Know your resources.** If the granting agency publishes guidance, bulletins, a handbook, or other resources intended to guide or inform you, make sure you use them. Stay well-informed of changing requirements and implement them timely.
- 5. Have a plan should turnover occur.** It can be challenging to go through an audit when key personnel leave and no one can describe the key controls to the auditor or find the grant documentation. If you rely heavily on one person to administer a grant, then cross-training is probably a good idea. Also, management should oversee what grant information is being documented and where this documentation is kept. Ideally you would maintain documentation to:
  - Identify your key controls
  - Show evidence those key controls were actually performed
  - Demonstrate your compliance with grant requirements

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If you identify the need for a federal single audit this year, be sure to reach out to your local audit team to discuss scheduling. You can find a contact for your local audit team by visiting our website at [sao.wa.gov/about-audits/find-your-audit-team/](https://sao.wa.gov/about-audits/find-your-audit-team/)

## Looking for additional resources?

Remember, we are here to help. While your grantor is the best source for information about a federal program, you can also submit technical questions

about federal awards to our Help Desk, available in the [client portal](https://portal.sao.wa.gov/saoportal/Login?ReturnUrl=%2fsaoportal%2f), <https://portal.sao.wa.gov/saoportal/Login?ReturnUrl=%2fsaoportal%2f>.

For training on grant compliance, see Washington Finance Officers Association non-conference training schedule, <https://www.wfoa.org/training-header/>

If you have other questions, comments or suggestions, feel free to email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

## Sharing your federal money with other agencies? Do your homework first

With the recent and continued influx of federal funding, you might make more subawards than in the past. (A subaward is providing your grant funds to other agencies to carry out a portion of the grant program.) Passing along your money to others doesn't relieve you of grant compliance requirements – it actually adds responsibilities for you to monitor your subgrantees (referred to as “subrecipient monitoring”). Since this is a frequent area reviewed in our audits, here are a few tips and resources to keep in mind:

### 1. Evaluate the nature of the relationship before you enter into a contract

Before you enter into any agreement or disburse any funds, you'll want to determine whether the third party is a contractor or a subgrantee, or in technical terms, a subrecipient. If they are a subrecipient, then you must communicate certain things about the federal award in your contract. You might need pre-approval from your grantor to make subawards. If they are a contractor, then procurement rules apply. The determination of contractor or subrecipient is a critical first step. Be sure to document your analysis and conclusions!

Read more about this in The Uniform Guidance:

- [200.1](#) Definitions for Contractor and Subaward
- [200.331](#) Subrecipient and Contractor Determinations

### 2. Make sure your contract has all the required language

You are known as a pass-through entity when you share your federal funding with other entities. Your contract with the subrecipient must include information about the federal award, including the Assistance Listing number. This is so the subrecipient knows these are federal funds and can act accordingly. It also must communicate the grant requirements and the expectation to provide you access to financial records.

Read more about this in The Uniform Guidance:

- [200.332](#) (a) Required information to provide for subawards

### 3. Document a risk assessment for each subaward

When you make a subaward, you have to monitor the receiving agency to be sure they use the money



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for authorized purposes. In order to develop an appropriate monitoring plan, you need to evaluate the risk that something could go wrong. The guidance gives you examples of what to consider.

Read more about this in The Uniform Guidance:

- [200.332](#) (b) Evaluate each subrecipient's risk of noncompliance

#### 4. Document your monitoring activities

Your monitoring must include certain minimum actions, including following up on known problems, and any additional steps you feel are necessary. For example, you need to evaluate and follow up on the results of other audits and on-site reviews.

Read more about this in The Uniform Guidance:

- [200.332](#) (d) Monitor the activities of the subrecipient as necessary

#### Additional resources for subrecipient monitoring

As always, if you have specific questions, it's best to reach out to your grantor for additional guidance on

how to monitor any subawards. Your grantor may have tools they'd like you to use. If they don't, check out these tools developed by the Association of Government Accountants (AGA):

- The [AGA Risk Assessment Tool](#) provides a method for assessing subrecipient risk.
- The [AGA Subrecipient Monitoring and Self-Assessment Guide](#) provides an approach to monitor a grant subrecipient's compliance with federal administrative requirements.

#### We can also help!

While your grantor is the best source for information about a federal program, you can also submit technical questions about federal awards to our [HelpDesk in the client portal](#).

For training on grant compliance, see Washington Finance Officers Association non-conference [training schedule](#).

If you have other questions, comments or suggestions, feel free to email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

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## Is your contractor banned from receiving federal funds? Don't wait to find out

Some contractors are banned from doing business with the federal government, and it's your job to know who they are. If you use federal grant money to pay a banned contractor, you risk auditors questioning your spending. Even worse, you might have to repay that money to your federal grantors.

When contractors are banned from receiving federal funding, they are commonly referred to as "suspended or debarred." Whenever you plan to use federal funds to pay contractors, you must verify they are not suspended or debarred before entering into a contract.

Auditors will ask to see what process your government used to verify a contractor's suspension and debarment status. In fact, not having established controls to do so is one of the most common federal audit findings we give our clients. With a little guidance and some

established controls, you'll be able to successfully navigate suspension and debarment rules.

#### How does a contractor get suspended or debarred?

The U.S. General Services Administration [explains](#) contractors can be suspended or debarred for a variety of violations, including delinquent federal taxes exceeding \$3,000, fraud, bribery and federal criminal law violations. Suspensions can last up to 12 months, whereas debarments are usually three years in length.

#### Whose status should be verified?

You should verify the suspension and debarment status of both contractors and subrecipients, depending on funding thresholds. These are outlined in the table on the next page.

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Type	Threshold
Contractor (someone providing goods or services to you)	\$25,000 or more; paid all or in part with federal funds. Applies to each contract or total purchases from one contractor during the audit period for like-kind items.
Subrecipient (someone you are awarding federal funds)	No threshold. Applies to every new subaward.

## What are the common problem areas?

Auditors report that local governments are more likely to overlook suspension and debarment verification in two particular areas of contracting.

*Professional service contracts* with businesses that typically include architects, surveyors, engineers and consultants. For example, you must verify suspension and debarment status before entering into a contract over \$25,000 with an engineering firm.

*Subrecipient agreements* with other local governments. Many local governments give subawards to other local governments without verifying their suspension status. While it is unlikely other local governments would be suspended or debarred, federal requirements state you must verify their suspension and debarment status. For example, if a county shares federal money with cities for their improvement projects, the county would have to verify the suspension and debarment status of each city.

## Your three paths to verification

You can verify the suspension and debarment status of your contractor using one of three methods:

1. Obtain a signed certificate from the contractor attesting it is not suspended or debarred.

2. Insert a clause into the contract stating the contractor is not suspended or debarred.

- *Note: If you go this route, including a suspension and debarment clause in your request for proposal is insufficient. The clause must be part of the contract. It's possible language included on a purchase order would work, but you should check with your grantor first to determine if this would be acceptable. If so, the contractor must sign the purchase order.*

3. Check the contractor's status on the U.S. General Administration's [website](#) before contracting or purchasing. Type your contractor's name into the search bar to find exclusion records.

- *Note: Be sure you keep documentation that demonstrates you performed the search, including the date. For example, you might save a screen shot that includes the date you performed the search.*

You must demonstrate you are complying with federal regulations before you purchase goods, contract for services (including purchase orders) or subaward funds. Otherwise, you can't prove you had internal controls in place over this requirement – even if it turns out the contractor or subrecipient is not suspended or debarred.



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## Best practices to consider

It's vitally important to communicate these requirements to all staff responsible for purchasing goods or services with federal dollars. You should also cross-train employees so that you have controls in place, even when someone is on leave. You might also consider adopting these helpful practices:

- Use experienced, centralized staff to oversee and manage federal procurement requirements.
- Include required federal language in all contracts, in case you use federal money as a funding source at a later date.
- Store critical grant documentation in one

central location so it won't get lost when a staff member leaves.

- Provide annual federal grant training to all staff responsible for managing federal awards. We offer training annually through the Washington Finance Officers Association; learn more [here](#).

## Resources

If you want to learn more, check out our suggested resources [here](#).

While your grantor is the best source for information about a federal program, you can also submit technical questions about federal awards to our [HelpDesk in the client portal](#).

## Emerging issue: How to calculate lost revenue for use of federal coronavirus funds

The American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) program, administered by the U.S. Treasury, Assistance Listing Number 21.027. One eligible use of these program funds allows governments to replace lost revenue in order to avoid cuts in their services.

Treasury's [Interim Final Rule](#) established a methodology that each recipient can use to calculate its reduction in revenue. Specifically, you must compute the extent of the reduction in revenue by comparing your *actual* revenue to an alternative sum that represents what you might have been expected to receive if the pandemic had not happened.

Once you receive CSLFRF money, you may immediately calculate the reduction in revenue that actually occurred in 2020 and deploy the funds to address any shortfall.

If you are considering calculating your government's lost revenue, please be sure to read carefully Treasury's [Interim Final Rule](#) and [CSLFRF FAQ](#) (see FAQs 3.1 through 3.15 regarding revenue loss). Both the Government Finance Officers Association ([GFOA](#)) and Municipal Research & Services Center ([MRSC](#)) have developed a free revenue-loss calculator tool for governments to use. MRSC's tool was set up based on the revenue categories in the BARS Manual.

You must decide whether to use one of these tools, or create your own. SAO has not reviewed either tool, and cannot advise you what your best path forward might be. **However you proceed, remember it is extremely important that you document both the data that goes into the calculation and your interpretations of the guidance.**

If you have any questions about calculating lost revenue, please contact Treasury at [SLFRP@treasury.gov](mailto:SLFRP@treasury.gov) and/or consult your legal counsel.

## WFOA Session Alert

Have more questions about what COVID-19 Federal Financial Assistance means for your audit? Be sure to attend Felicia DenAdel's Single Audit session from 1 to 3 p.m. on Thursday, Sept. 23.

# Does your government sell electricity? If so, new audit engagements are coming your way

The Clean Energy Transformation Act (CETA) went into effect May 7, 2019, creating a new Chapter under Title 19 RCW and amending other state laws. The Act places new requirements on electric utilities to transition over time to clean energy resources to supply their retail customers. It also prescribes penalties for noncompliance with some requirements.

CETA requires the Office of the State Auditor to audit consumer-owned utilities' compliance with the requirements of RCW 19.405 and the related administrative rules adopted by the Washington Department of Commerce under WAC 194-40. Like the existing Energy Independence Act (EIA), our Office is responsible for auditing utility compliance, and the Attorney General's Office is responsible for enforcing that compliance.

## Who is subject to the new attestation engagements?

CETA applies to all electric utilities that are in the business of distributing electricity to more than one retail customer in the state of Washington, including consumer-owned (public) electric utilities. Our Office is required to audit Public Utility Districts, municipal utilities, irrigation districts and mutual corporations that are under our audit jurisdiction.

We are required to audit 41 electric utilities:

- Public Utility Districts – 24
- Municipal utilities (cities/towns) – 16
- Irrigation Districts – 1

## When will SAO perform the compliance examinations?

The following summarizes a possible upcoming schedule of the compliance periods and related requirements.

Examinations occurring in 2021 – 2022 of the compliance period Jan. 1, 2020 – Dec. 31, 2021

- Greenhouse gas content calculation (RCW 19.405.070)
- Energy assistance for low-income households (RCW 19.405.120)

Examinations occurring 2023 – 2024 of the compliance period Jan. 1, 2022 – Dec. 31, 2023

- Clean energy implementation plan (RCW 19.405.060)
- Greenhouse gas content calculation (RCW 19.405.070)
- Energy assistance for low-income households (RCW 19.405.120)

## New billing rate for CETA and EIA examinations

Starting July 1, 2021, our Office will bill utilities at an hourly rate of \$165 per hour for both these specialized CETA engagements, as well as our examinations of qualifying utility compliance with the Energy Independence Act.

## Additional resources

- Original legislation – [ESSB-5116-S2.SL.pdf](#)
- Washington Clean Energy Transformation Act – [RCW 19.405](#)
- Clean Energy Transformation Act – [WAC 194-40](#)
- For technical questions on the act, please contact Commerce at [ceta@commerce.wa.gov](mailto:ceta@commerce.wa.gov).

Commerce's Energy Office provides additional information on its CETA web site at: <https://www.commerce.wa.gov/growing-the-economy/energy/ceta/>

If you have not already done so, [subscribe to our newsletter "This week's best at SAO"](#) to learn about the latest CETA engagements and more.

For questions about CETA compliance examinations, please contact our Energy Team.

- Tom Bernard, CPA, Program Manager (360) 676-2153 or [Thomas.Bernard@sao.wa.gov](mailto:Thomas.Bernard@sao.wa.gov)
- Travis Beyerl, CPA, Asst. Audit Manager (509) 699-3813 or [Travis.Beyerl@sao.wa.gov](mailto:Travis.Beyerl@sao.wa.gov)



# Suspect a loss of public resources? What to expect when working with SAO

The State Auditor's Office received 410 reports of suspected or known loss in 2020. While some of these reports were from citizens and whistleblowers, more than 80 percent of reports came from management at state agencies and local governments.

That's because state law (RCW 43.09.185) requires all state agencies and local governments to immediately notify SAO of any known or suspected loss of public resources or other illegal activity, including cyberattacks and other activities that potentially affect financial records or systems.

When you suspect or detect a loss, it can be stressful and challenging to figure out what steps you should take. SAO is here to guide you on how to handle potential losses; working together with our office will help you decide what steps to take, and hopefully, decrease the stress of the situation.

Below are some tips to follow if you find yourself dealing with a potential loss, and what you can expect from our office.

## First things first: Protect all applicable records and file a report

You should immediately take steps to protect applicable records from loss or destruction. For example, you should secure backup copies of computer records and original paper records related to the situation in a vault, safe or locked cabinet until the investigation is complete. In addition to protecting records, start a timeline of all the steps you take, and report the potential loss to SAO.

SAO requests that you report any suspected losses through our online Report a Suspected Fraud or Loss form at <https://portal.sao.wa.gov/saoportal/public/LossReport>. The SAO website has guidance for what to include in your report at <https://sao.wa.gov/report-a-concern/how-to-report-a-concern/fraud-program/>.

If you have questions about what to report, or would otherwise like to discuss a concern with someone at SAO, please contact the Special Investigations Team at [fraud@sao.wa.gov](mailto:fraud@sao.wa.gov) or call (360) 688-0858.

## When to notify law enforcement

For most situations, you will need to file a police report with local or state law enforcement. However, governments should immediately notify the appropriate local or state law enforcement agency when the suspected



loss involves the health or safety of employees or property, or when losses are the result of breaking and entering or other vandalism of property.

If you have questions about the necessity or timing of a police report, please contact the Special Investigations Team at [fraud@sao.wa.gov](mailto:fraud@sao.wa.gov) or call (360) 688-0858.

## What to expect after reporting a suspected loss

Once you report a loss, you will receive an automated email confirmation with a case number. We will review the information you reported and, depending on the nature of the loss, we may need to contact you for additional information. If we determine a formal investigation is unnecessary, we will close the case and give the information to the audit team for consideration during the next audit. However, if an investigation is necessary, the process will fall into one of two investigation categories, which we explain below.

## What to expect if SAO opens an investigation

If SAO determines the situation requires more scrutiny, we will open an investigation. While we sometimes prefer to conduct the entire investigation ourselves, oftentimes you can choose who performs it. Here's what you can expect from each type of investigation:

### *Internal/external investigations*

These are investigations or reviews an external party conducts or your organization performs internally. External parties can include contracted investigator services, law enforcement, CPA firms or insurance agencies.

If SAO does not perform the investigation, we will still expect to be involved. Once the internal or external investigation is complete, our Office will ask for copy of the results and supporting records. We will review this information and evaluate the investigation's scope and methodology, responsibility assigned for the loss, interviews and notes, and the total amount of public resources lost and supporting documentation. After our review, we may need to perform additional procedures, which we would communicate with you.

Finally, we will determine if the loss should be reported formally in a public report. If so, we will share a draft report with you prior to publication. You will have an opportunity to respond to the report, which we will include in the final report published on our website.

### *SAO investigation*

SAO will be in charge of the investigation from start to finish. We will prepare an investigation plan and estimated budget for the work. We will communicate the estimated cost for the investigation based on our planned procedures. At the end of our investigation, we will

determine if we need to issue a formal public report. We will share a draft report with you prior to publication, and we will include your response in the final report published on our website.

## Advantages of SAO-issued investigation reports:

SAO-issued investigation reports are helpful for prosecuting losses and recouping them. We refer our reports to the appropriate prosecuting offices for further consideration in recouping losses, including investigation costs.

Beyond that, law enforcement, insurance agencies, and other parties use our reports as tools for understanding losses that occurred and helping you recoup them. For example, insurance agencies will use the report to support the claim amount you submitted for reimbursement of the loss. This will often include investigation cost recovery for the agency or local government.

## SAO involvement with restitution agreements

Seeking restitution from the parties responsible for misappropriation is an important step for making the government and its taxpayers whole again. However, state law requires local governments ([RCW 43.09.260](#)) and state agencies ([RCW 43.09.330](#)) to seek written approval from SAO and the Attorney General's Office for restitution agreements that represent a "settlement or compromise" of the claim.

You can find additional information about the restitution process at <https://sao.wa.gov/how-and-when-to-see-sao-approval-for-a-restitution-agreement/>.

## WFOA Session Alert

Refresh your fraud reporting knowledge with Stephanie Sullivan and Sarah Superville's Fighting Fraud session from 10:10 to 11:50 a.m. on Thursday, Sept. 23.

# SAO's Brandi Pritchard featured in Fraud magazine with lessons on professional skepticism

When an auditor began noticing red flags during a regular audit of a housing authority in Washington, she started down a path that led to the uncovering of the largest misappropriation of public dollars in recent state history.

In its July/August 2021 edition, Fraud magazine published an article written by SAO's Assistant Director of Local Audit and Special Investigations Brandi Pritchard that gives a behind-the-scenes look at the investigation into the \$6.9 million misappropriation at the Pierce County Housing Authority. The article provides a detailed look at the misappropriation schemes and pivotal moments in the investigation.

Pritchard, a Certified Fraud Examiner, wrote the article to emphasize the importance of professional skepticism and provide tips to keep it properly calibrated.

The Association of Certified Fraud Examiners (ACFE) is the world's largest anti-fraud organization and provides training and education with an anti-fraud focus. ACFE also administers the certification program for fraud examiners. Fraud magazine is read by CFEs around the world.



*Assistant Director of Local Audit and Special Investigations, Brandi Pritchard*

## Former SAO fraud manager, Joe Dervaes, inducted into ACFE Hall of Fame

In other ACFE news, a former SAO fraud manager was inducted into the organization's Hall of Fame at the 32nd Annual Global Fraud Conference this summer. Joe Dervaes dedicated much of his professional career to anti-fraud work. From 1983 to 2006, Dervaes worked for SAO. He

served on the ACFE Board of Regents for more than a decade and worked with the ACFE in various roles over 30 years. SAO is proud to have such a legacy of anti-fraud work embodied in Dervaes. Congratulations, Joe!

# Think you're too small to segregate duties? Let's find out!

Segregating duties is a best practice that protects against error and fraud, but it can be hard to do when you don't have enough people.

But fear not! Just because your government has a small staff does not mean it is impossible to implement this important internal control. It mostly depends on the decisions you make. Segregating duties is not an 'all or nothing concept' – you can segregate responsibilities as much as you can and then fill in any gaps with oversight controls.

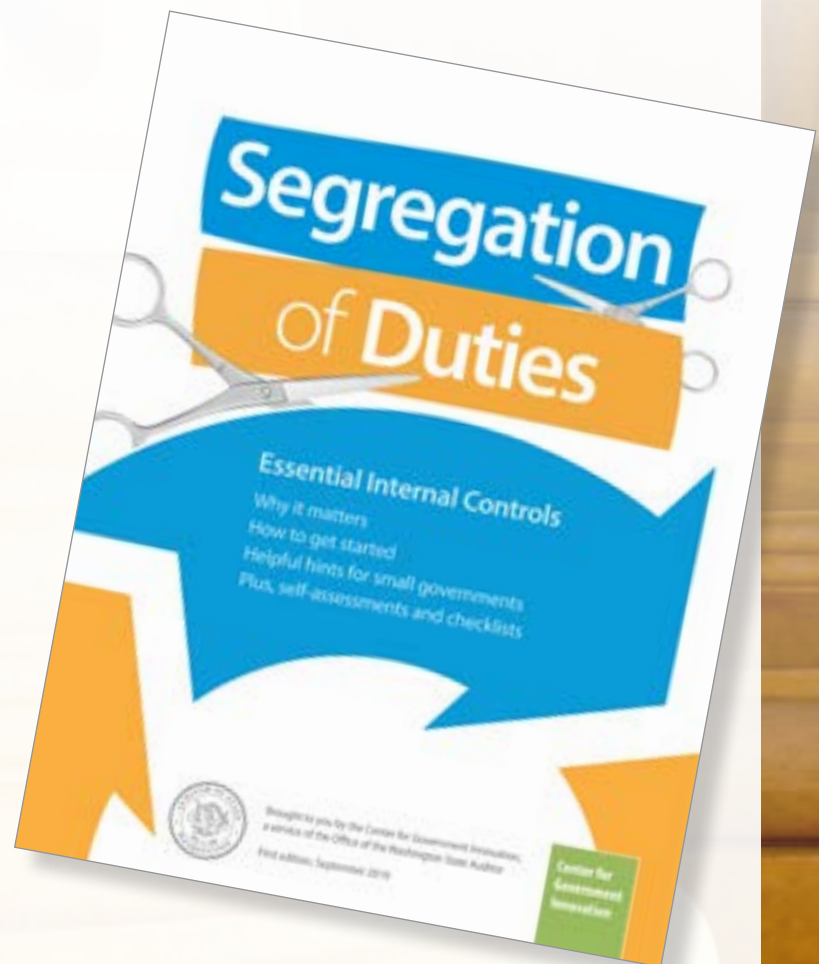
## **We have only one accountant, what should I do?**

Imagine a small city with just one accountant (or maybe you are one), one public works employee, a Mayor and Council. This city cannot segregate duties with only one accounting employee; they need to focus on controls that provide adequate oversight. This might take the form of reviews and approvals that could be performed by the Mayor, another qualified and experienced council member, or by a third party like a paid contractor. Appendix A, figure 1, in our [Segregation of Duties guide](#) gives an example of how to organize a one-person accounting department with oversight controls.

## **If I can't segregate duties, how do I choose oversight procedures?**

If you are a small government with two or more accounting employees and a third oversight person, you can segregate a few duties. Appendix A of our [Segregation of Duties guide](#) can help you here too. Keep in mind these are only suggestions; each government needs to decide the best way to assign responsibilities for its particular circumstances. Many acceptable options are possible.

When one person controls a process from start to finish, it can create a higher risk of error or fraud. If you involve more than one employee in the process, risk is lowered. If you are not sure what duties create higher risk for a small staff in each financial system or process, see our guide.



## **If I can't segregate duties, how do I choose oversight procedures?**

Brainstorming potential solutions is beneficial, as you likely have several options. For example, take a cashier that accepts cash payments unsupervised. This provides the opportunity for skimming, or theft of payments before they are recorded. Let's assume this cashier works at a building and planning counter issuing permits and taking payments. Some options to provide oversight and prevent or detect skimming might be:

- Consolidate this cashiering function with others in the same building, so that you have one larger cashiering operation with adequate oversight.



(Note: this is actually accomplishing segregating duties)

- Post a sign telling customers to expect a receipt, which will prompt the payment to be recorded. If manual receipts are used, periodically check inventory receipt books to verify they are used in sequential order and all receipt books are accounted for. In addition, periodically check that no unauthorized receipt books are in use. This could be done as part of a surprise cash count which is also an oversight control.
- Reconcile permits issued to the cash receipts recorded in the system, regularly or periodically.
- Monitor all revenue streams that the cashier has access to. Verify that the activity for all cash receipting sources meet your expectations.
- Monitor deposits for reasonableness as compared to permit activity, looking at daily totals as well as cash vs. checks collected.

As you can see, there are many different routes you can take. In some cases there might be one solution, in others you might add several oversight procedures. You have to decide what makes the most sense given your situation, your perceived level of risk, your appetite for risk, and the resources available.

Our [Segregation of Duties Guide](#) has examples of

oversight controls for many risks.

### **My auditor made a recommendation to improve my internal controls. Now what do I do?**

Our auditors periodically communicate concerns with segregation of duties. Some government officials want us to provide specific recommendations on how to fix those concerns. There isn't a one-size-fits-all solution; internal control systems can be set up in many effective ways, and each entity is unique. Your local government management team is better suited to design your internal control structure than SAO. Our Office can brainstorm options with you and discuss pros and cons. We also have some great resources to share!

### **Where do I find resources?**

[State Auditor's Office Segregation of Duties Guide.](#)

[Self-assessment checklist tool.](#)

If you have specific technical accounting questions, you can submit them using our [HelpDesk](#) in the client portal.

We also have financial management specialists at the Center for Government Innovation available to talk through your internal control systems. For assistance, reach out to the [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

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## Larger governments struggle with segregating duties, too

It's easy to assume larger local governments have no problems fully implementing best practices for segregation of duties. While segregating duties can be easier for larger governments with more employees, they can struggle with the process, too. The State Auditor's Office has some suggestions for navigating challenges on your journey to segregating duties!

### **"That's the department's responsibility!"**

Some departments might not know how to set up a financial operation with all of the right controls. If they

don't receive expert guidance, then duties might not be properly segregated. Each internal control system is unique. We don't have a playbook for a one-size-fits-all solution; this makes designing a control system challenging.

Others are fortunate enough to have an internal audit department that can provide assistance. Some have even contracted out for help when necessary.

Our suggestion: Guide departments with a well-written policy, and help departments that need

personalized assistance. Mitigate risks by suggesting duty assignments, establishing resources and offering training.

### **“But it’s more practical this way!”**

Governments like to combine a few conflicting duties, because it is more practical. For example, the ability to add or edit vendor information is sometimes combined with accounts payable processing. This increases risk substantially, because accounts payable clerks could process payments to anyone they choose. Combining these duties requires close monitoring of every vendor paid – a daunting task when you process thousands of transactions.

If you do combine conflicting duties, be sure to evaluate and quantify the risk you create before deciding.

Our suggestion: If you combine conflicting duties, make sure you establish adequate monitoring controls to cover the increased risks. When you process large volumes of transactions, segregating duties is likely the most efficient way to lower your risk.

### **“But that operation doesn’t have enough staff!”**

Larger governments have some financial processes with few staff. In these cases, just like in small governments, monitoring controls is an acceptable alternative to segregating duties.

For example, cities and counties have parts and tires inventory systems for maintaining vehicles and other equipment. A city might also have a court collecting payments with only one or two employees. These types of operations may only require few staff to operate.

Our suggestion: Build in oversight for financial processes with few staff to reduce the risk of limited segregation of duties. Our [Segregation of Duties Guide](#) offers oversight examples in each chapter, such as inventory or cash receipting, as well as additional possibilities in Appendix A.

### **“There’s too much work, and we have to share the load!”**

Sometimes departments are delegated work related to a financial process. However, this can create conflicting duties.

For example, what if finance asks departments to enter their own accounts payable invoices? Department staff would not be independent if they order and receive goods and approve payment for that same transaction. On the other hand, accounts payable staff in the finance department would be independent from the conflicting duties when processing these payments.

*Our suggestion: Centralize certain duties of accounts payable or payroll when you can, and avoid letting departments process their own transactions from start to finish. If central finance needs help, perhaps departments can assist in other ways.*

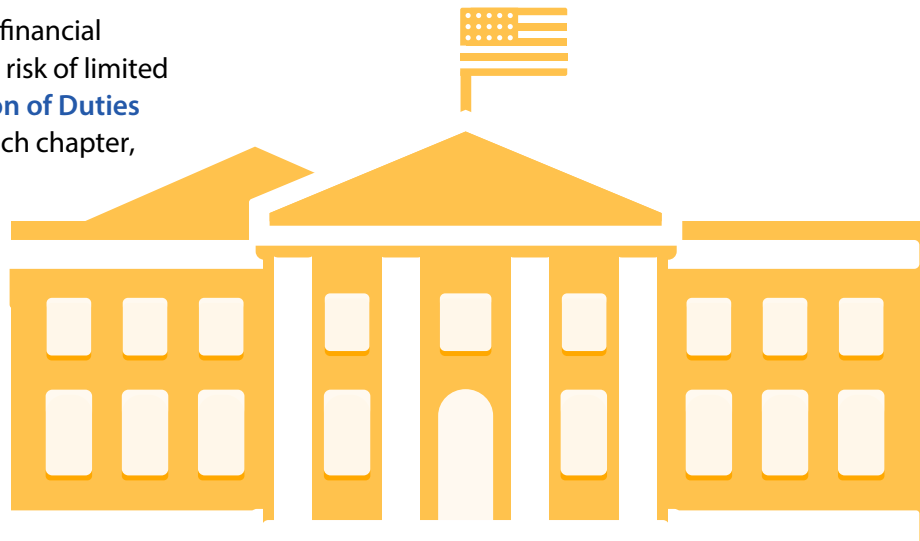
### **Where do I find resources?**

If you want to learn more, we have information to help you!

[State Auditor’s Office Segregation of Duties Guide.](#)  
[Self-assessment checklist.](#)

If you have specific technical accounting questions, please submit them using our [HelpDesk](#) in the client portal.

We also have financial management specialists at the Center available to talk through your internal control systems. For assistance, reach out to the [Center@sao.wa.gov](mailto:Center@sao.wa.gov).



# New Resources Are Available, with More on the Way

The Center for Government Innovation, a service of the Office of the Washington State Auditor, has been working hard to provide local governments the tools they need.

## Just released: Payroll Guide and Internal Controls Checklist

This new Payroll Guide includes a suite of short, one-to-two-page resources for different roles and topics. This guide has something for you, whether you are:

- A leader developing a policy or looking for ways to save time and money over payroll processes
- A manager hoping to reduce risk in your payroll operation
- A supervisor looking to improve monitoring over payroll payments
- A payroll clerk responsible for processing payroll

Access the new guide here: <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18565>.

We also have an Internal Controls Checklist for Payroll Systems that contains a series of questions to evaluate your internal controls. Set your government up for success by evaluating your controls system using this list of best practices.

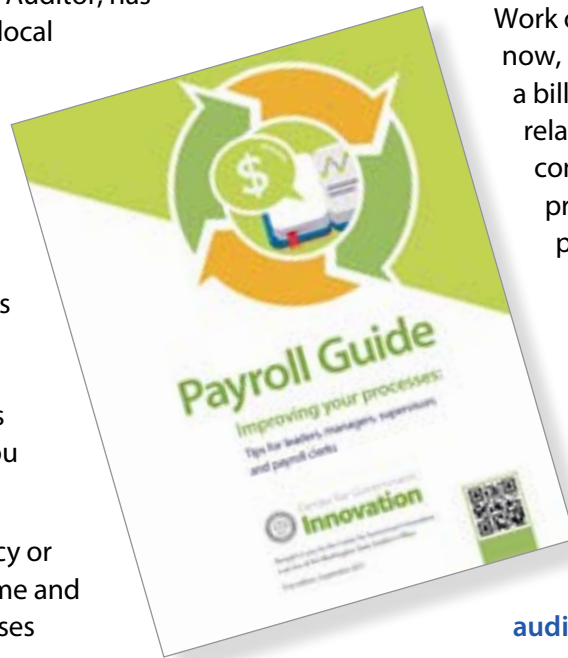
Check out the list here: <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18562>.

## Other internal control resources

If you want to improve or evaluate your cash receipting system, our Cash Receipting Guide and Internal Control Checklist are great places to start.

Access the Cash Receipting Guide here: <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18554>.

Access the Internal Control Checklist for Cash Receipting here: <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18554>



## Coming soon

Work on your cash receipting and payroll now, because an accounts payable and a billing/accounts receivable guide and related internal controls checklists will be coming soon! We'll also be publishing best practices on managing and monitoring fuel purchases.

## Make sure you're signed up

Want to receive the latest news, articles and resources from SAO and others trusted partners? Make sure you're subscribed to receive our weekly newsletter "This week's best from SAO." Subscribe to the newsletter here: <https://sao.wa.gov/the-audit-connection-blog/>.

## Check out our Resources Database

All of our free guidance is available in our online database. We have a lot of great information to share, so spend a few minutes in our Resources Database to see what we have to offer! Peruse the Resource Database here: <http://portal.sao.wa.gov/PerformanceCenter/>.

Have questions or feedback? Contact us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov). We look forward to hearing from you!

## WFOA Session Alert

Wondering how to protect your organization from cash receipting fraud? Add CPA Debbie Pennick's Keys to Cash Handling: Internal Control Risks and Rewards session to your calendar from 10:10 to 11:50 a.m. on Thursday, Sept. 16.

# Top 12 most important financial policies

According to the Government Finance Officers Association (GFOA), it's a best practice for governments to formally adopt financial policies. We couldn't agree more. Financial policies create expectations for government operations, provide a foundation for making financial decisions and help ensure good financial management.

Here are the top 12 we consider essential:

1. **Budgeting and planning** – Your budget process should be formalized in writing, with methods and roles and responsibilities for finance staff and department heads. In addition, long-term financial planning processes should describe how many years will be forecasted and how often the forecast will be reviewed and updated.

*Resources:*

- [Municipal Research & Services Center \(MRSC\) Budget policies](#)
  - [GFOA Long-term planning and forecasting policy template](#)
2. **Cash management and investing** – These policies are crucial for delegating authority, planning for sufficient operating cash, establishing investment strategies, and ensuring monitoring controls over these high-risk assets.

*Resources:*

- [MRSC's Investment policies](#)
  - [GFOA Investment policy best practices](#)
3. **Fund stabilization and cash reserves** – Every organization needs some money stored away for emergencies, future projects or commitments, or general working capital to meet operating needs. This policy directs cash reserve levels and annual commitments to create or replenish them.

*Resources:*

- [MRSC Fund balance and reserve policies](#)
  - [GFOA Example policies for reserves](#)
4. **Cash receipting** – This policy is important so cashiers,

and managers that oversee them, understand their responsibilities and what they should and should not do. It should address physical security of cash receipts, as well as who can approve steps and actions related to cash receipting (such as a new receipting location or accepting credit cards), and many other items.

*Resources:*

- [State Auditor's Office Cash receipting best practices guide](#)
  - [GFOA Revenue control policy best practices](#)
5. **Capital asset management** – A capital asset policy should provide the foundation for making important decisions about your assets, such as a long-term strategy for maintenance and repair. It should also cover various accounting aspects, such as setting a capitalization threshold, inventory requirements, disposition procedures, and asset replacement.

*Resources:*

- [MRSC Asset management policies](#)
  - [GFOA Capital asset management best practices](#)
  - [The Budgeting, Accounting, and Reporting System, contains requirements for a capital asset policy](#)
6. **Debt management** – These policies establish the framework that guide how you will incur and manage debt, for example the types of debt instruments allowed, debt limits, the process to issue new debt including selection of service providers, and the management of current debt. These decisions can impact a government's financial well-being for 20-30 years, so it's important to have strategies in place.

*Resources:*

- [MRSC Debt management policies](#)
  - [GFOA Debt management policy best practices](#)
7. **Procurement** – This policy provides much needed clarity on the requirements and processes for purchasing various goods and services. Many governments have statutory requirements establishing

various dollar thresholds for procurement, and those that don't should establish their own.

*Resources:*

- [MRSC's Procurement policy guidelines](#)
  - [State Auditor's Office resource, includes guidance for establishing policies over change orders](#)
8. **Disbursement systems controls policy** – This policy should cover the process and control system for each major disbursements process, like payroll and accounts payable. It should cover controls over transactions from initiation to payment, as well as the monitoring that should take place.

*Resources:*

- Payroll guide including policy development tips and best practices.
9. **Expenditure authorization policies** – These policies address specific types of expenditures that are allowed and the rules surrounding them. These include policies like compensation, travel, employee reimbursements, and others depending on the programs your government operates. For example, if you provide advanced travel funds or have an employee recognition program, then you should have policies in place before you process this type of expenditure.

*Resources:*

- [MRSC Travel and expense reimbursement policies](#)
  - [MRSC Sample document library](#)
10. **Segregation of duties** – Policy should spell out which duties should be segregated, and the additional oversight controls expected if or when key responsibilities can't be divided among employees. This policy can be more general and describe the expected high-level authorization, recording, custody of assets, and reconciliation duties that should be separated. Or, it may be specific on what certain positions should not do.

*Resources:*

- While we don't have a specific resource to demonstrate what to include in a policy, you might

find this resource helpful: [State Auditor's Office Segregation of Duties Guide](#)

11. **Conflict of interest/ethics** – Officers and employees should not have a financial interest in any transaction they authorize or are involved with (in the course of their duties). Also, they should not unfairly benefit as a result of having their position. This policy should communicate expectations and give employees several ways to report concerns to the governing body. Washington state law provides the basis for these policies and is referred to in the following resources.

*Resources:*

- [MRSC Local Code of Ethics webpage](#)
  - [State Auditor's Office's Making it easy to report concerns](#)
12. **Document retention** – This policy covers your government's requirements and methods to manage documents from creation to disposal. Some financial records must be kept for a certain period due to state retention laws. As more records are stored in electronic formats, this policy is even more important to ensure the appropriate documents are identified, securely stored and retained for the proper timeframe.

*Resource:*

- [MRCS's Electronic records policy](#)

### How to find additional sample policies

MRSC maintains a sample document library, including for policies. You can find it here: <https://mrsc.org/Home/Research-Tools/Sample-Documents.aspx>.

### Additional resources that might help you

Remember, we are here to help. If you have specific technical accounting questions, please submit them using our [HelpDesk in the client portal](#).

We also have financial management specialists at the Center for Government Innovation available to talk through projects you might be working on that affect your internal control systems. Email us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

# What to do after hitting submit: Steps for increasing data-quality confidence

Congratulations on submitting your annual report for fiscal year 2020! Now you may be asking, "Is there anything more I can do?" Our answer is, "Yes!"

Take a look at your data and answer these questions:

- Is my government's data accurate?
- Is my government's data consistent?
- Did I use the most accurate BARS accounts?
- What could happen if I answer "no" to any of these questions?

Want more information to help you answer these questions? Keep reading to learn what data specialists at the State Auditor's Office do to analyze your government's information after you submit, and why it's important for you to do the same.

## Bad data in, bad data out

The financial data you submit to SAO each year is based on the same underlying data supporting your financial statements. Auditors use this data to complete a range of audits, and then it is made available to the public through the [Financial Intelligence Tool \(FIT\)](#). Constituents, the press, the Legislature, lenders or bond rating agencies and others may rely on this data, so it's important for every local government to make sure it is accurate.

## Inaccurate data takes many forms

SAO analyzes data to find solutions for decreasing errors. Here are some of the errors we noticed in the 2019 data:

- 50 cash-basis governments incorrectly reported negative cash-basis fund balances
- 31 cities reported managerial funds which may not have been rolled together, as the BARS manual requires
- 100 internal service funds were reported without significant internal service fund sales and services BARS accounts
- Up to 60 percent of GAAP government schedule 01s did not tie to their submitted financial statements

If these errors are material, they can affect your government's financial audit, create unreliable financial health ratios or trends the public sees in FIT, or reflect poorly on the hard work your government put into preparing the annual financial report.

Good news: SAO has strategies to help you identify data quality issues.

## What more can I do?

Comparing and reviewing your data can reveal differences so you can ask, "Were my government's reporting decisions consistent and correct?" Further, asking questions about how you used BARS accounts will help confirm your government's reporting decisions.

SAO's Center for Government Innovation created this [checklist](#) to help you build additional confidence in your data's accuracy. Open [FIT](#), log in using your SAO SAW account, and start analyzing your data today!

Have questions about your annual report or how to make corrections? Contact SAO at [LGCSFeedback@sao.wa.gov](mailto:LGCSFeedback@sao.wa.gov) or via the SAO [HelpDesk](#)!

## WFOA Session Alert

Need a primer on new accounting and reporting updates that affect GAAP and Cash Basis BARS governments? Our BARS Update session for Cash Basis governments is from 1 to 1:50 p.m. on Tuesday, Sept. 14. Our BARS Update session for GAAP governments is from 2 to 2:50 p.m. on Tuesday, Sept. 14.

## State Auditor Stewardship Award: Port of Anacortes

In June, the Office of the Washington State Auditor recognized the Port of Anacortes with a State Auditor Stewardship Award. The Port was one of the first local governments to have its audit conducted remotely because of the pandemic. It now has two remote audits under its belt, and the Port's approach has remained flexible and collaborative to protect health and safety while finishing the audits on time. In addition, the Port approaches audits as an opportunity to both validate and strengthen control processes. For example, in response to a prior audit recommendation, the Port began a robust process to track assets.



*Pictured, from left to right: Commissioner Joe Verdoes; Commissioner Ken Goodwin; State Auditor's Office Port Program Manager Deena Garza; State Auditor Pat McCarthy; Director of Finance and Administration Jill Brownfield; Accounting Manager Wendy Fauver; Commissioner Bonnie Bowers; Commissioner Jon Petrich; Commissioner Katherine 'Kathy' Pittis; and Executive Director Dan Worra.*

## State Auditor Stewardship Award: Whitworth Water District

In August, the Office of the Washington State Auditor recognized the Whitworth Water District with a State Auditor Stewardship Award. District leadership promotes a culture dedicated to accountability for public resources. District Treasurer Ron Gillies in particular takes a collaborative approach to the audit process and has a passion for accurate financial

reporting. For example, Gillies provides a financial statement binder with complete and organized supporting documentation at the beginning of the audit. He also trains District staff on matters such as purchasing, financial ethics, and the importance of following District financial policies and procedures.



*Pictured, from left: Assistant Audit Manager Alex Lycan, State Auditor Pat McCarthy, Audit Manager Brad White, and General Manager Tim Murrell, District Treasurer Ron Gillies and Commissioner Chris Johnson.*

# State Auditor Stewardship Award: South Central Workforce Development Council

In September, the Office of the Washington State Auditor recognized the South Central Workforce Development Council with a State Auditor Stewardship Award. The Council operates federal programs that provide employment and training opportunities. CEO Amy Martinez and her team update their policies and procedures regularly, and they come prepared for the

audit. Additionally, all staff attend entrance conferences to understand the purpose of our audit and what to expect. Additionally, CFO Tim Hoerner researches and resolves new accounting and reporting requirements before submitting the annual financial statements to our office. He consistently asks our office for assistance if he has questions.



*Pictured, each row from left: Programs Director Meranda Smith, State Auditor Pat McCarthy, Communications and Employer Engagement Analyst Michelle Smith, Program Manager Shawna Michels, Fiscal/MIS Analyst Ariana Cordova, CEO Amy Martinez, Vice Chair Dennis Flabetich, Audit Manager Ann Strand, Compliance Manager Toni Burow, Board Treasurer Barbara Cosner, and CFO Tim Hoerner.*

## Audit Billing Rates

Starting Jan. 1, 2022, the hourly billing rate for local government audit work will increase to \$116. However, the hourly rate for auditors in travel status will remain at 75 percent of the applicable hourly rate, and fraud investigations will continue to be billed at \$210 per hour. Also, starting July 1 of this year, our Office began billing

\$165 per hour for Clean Energy Transformation Act and Energy Independence Act engagements. While SAO was able to maintain a flat rate for two years, the 2022 rate adjustments will account for operational costs and legislative changes made this year.



# Leadership changes at SAO



Jim Brownell became Assistant Director of State Audit and Special Investigations in June 2021. Jim brings more than 16 years of experience to the role. He has experience performing complex financial, federal and accountability audits at state agencies, including prior supervision of SAO’s Whistleblower team. Jim’s leadership, organizational and project management skills are going to be put to good use.



Cavan Busch is the new Manager for Team Single Audit. Cavan has been with SAO for 13 years and has played a key role in leading the largest audit our Office performs: the State of Washington Single Audit. Cavan has created strong working relationships both internally and externally. His technical knowledge and supportive management style will set up his team for ongoing success.



Amy Strzalka became Manager for Team Port Orchard in June. Amy brings extensive experience to this role: she has served as Team Port Orchard’s Assistant Audit Manager and as a Reporting Specialist on Team Audit Support. Amy has more than six years of experience with SAO, and recently gained her CPA certification.

## New Program Managers

We also have new program managers in the following subject matter areas. If you have any questions, please start with the Auditor Helpdesk by going to [sao.wa.gov](http://sao.wa.gov) and clicking on “client login.”

Subject Matter	Program Manager(s)
Federal Single Audit	Lindsay Osborne and Alisha Shaw
Libraries	Ginny Waltman
Cities	Alex Beherndt
Irrigation Districts	Jake Santistevan
Public Facility Districts	Joe Simmons
Public Development Authorities	Joe Simmons
Air Pollution Authorities	Joe Simmons
Transits	Sandra Groshong
Transportation Benefit Districts (TBD)	Sandra Groshong
Regional Transportation Planning Organizations (RTPO)	Sandra Groshong

# Keep Learning with SAO

## BARS Update webinars

Our annual Budgeting, Accounting, and Reporting System (BARS) Updates will be held virtually again this fall. These no-cost, two-hour sessions are worth two CPE credits.

SAO's Local Government Support Team will show you changes to the BARS GAAP and Cash Manuals, including important accounting and reporting updates, annual report filing changes, new BARS codes and more. We will have separate sessions for GAAP governments and Cash

governments highlighting changes that only affect your government's basis of accounting.

Your government's audit liaison will receive an email from our Office by Oct. 1 when registration opens for these events. Additionally, you can watch for information on SAO's BARS and Annual Filing Training webpage: <https://sao.wa.gov/bars-annual-filing/filing-training-and-workshops/#BARS-Update>.

Webinar dates and times:

GAAP Sessions	
Wednesday, Oct. 20	9 – 11 a.m.
Tuesday, Oct. 26	1 – 3 p.m.
Thursday, Oct. 28	1 – 3 p.m.
Wednesday, Nov. 3	1 – 3 p.m.
Wednesday, Nov. 17	9 – 11 a.m.

Cash Sessions	
Tuesday, Oct. 19	9 – 11 a.m.
Thursday, Oct. 21	9 – 11 a.m.
Wednesday, Oct. 27	1 – 3 p.m.
Wednesday, Nov. 3	9 a.m. – 1 p.m.
Wednesday, Nov. 17	1 – 3 p.m.

## More training on BARS and annual filing

Bookmark our Training and Workshops page: <https://sao.wa.gov/bars-annual-filing/filing-training-and-workshops/#elearnings>

Here you'll find:

- Recordings of our August 2021 webinars on leases, which will be posted in October. Separate recordings

will be available for GAAP and Cash governments.

- A new training video coming soon on the annual filing system.
- Several no-cost eLearnings, including Introduction to the BARS Manuals, SAO 2020 BARS Update, OPEB for Cash Basis Governments and more.

## Online, on-demand, CPE-eligible training on internal controls

Cash handling internal controls are a vital process in your government. Strong policies, practices and well-trained employees make all the difference when safeguarding public resources and minimizing your risk for loss or misappropriation.

This fall, we'll launch a new way to learn about these controls: an online course you can take whenever you want, wherever you are, and you'll earn CPE in the process. Stay tuned for more information in the coming months!

### #GoodGovernment practices now on-demand!

The Center for Government Innovation connects you with the knowledge and resources to help your local

government innovate and improve—at no cost to you. This year our annual fall outreach is taking on a new look: an online, on-demand video where you can learn at your own pace!

In this new on-demand format, our local government experts will share information about the Center's finance-related technical assistance, customizable LEAN process-improvement facilitations, team-building and leadership training, best-practices resource library and data analysis tools.

Keep an eye out this fall for links to our new video in SAO's Audit Connection blog and Weekly Digest! If we can provide assistance about any of these topics before the video is available, you can always reach us at [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

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## Enter to be one of two governments selected to receive a personalized "SAO Training of Your Choice"

Visit our booth at the 2021 WFOA Virtual Conference and submit your government to be one of two governments selected to receive customized SAO training. One government will be selected each week of the conference to receive their choice of one of the following personalized trainings:

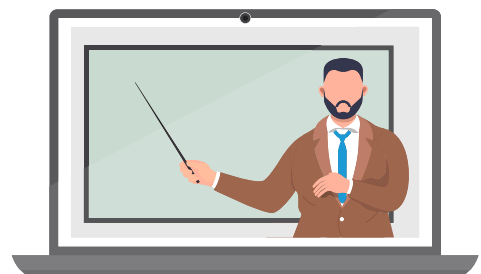
**Process Improvement/Change Management:** SAO will meet with your government's leadership to identify and plan a process improvement facilitation or provide process improvement or change management training for your government.

**FIT Training Session:** SAO will meet with your government's leadership to provide a personalized Financial Intelligence Tool (FIT) training session. Learn the basics of exploring your government's financial data in FIT or how to use more advanced features like peer comparisons or user-identified scenarios in the projection feature.

### Personalized Accounting or Internal Control training:

SAO will meet with your government's leadership to identify, design and present a 1-2 hour training on one of the following topics:

- BARS Update (Choose between a GAAP or Cash update)
- GASB Update
- Cash Receipting Internal Control Best Practices and Fraud Prevention
- Credit Card Internal Control Best Practices and Fraud Prevention
- Discovering Your Strengths Using StrengthsFinder





## How to print this newsletter:

- Move your mouse cursor to the bottom of your browser window. A bar will appear with several icons. Click the “download PDF” button.
- Open the downloaded PDF, and choose the “print” option from your PDF reader.
- Be sure to check “portrait” orientation and, if possible, at least legal-sized paper for better ease of reading.
- Consider “printing on both sides, flip on short edge” to save paper.
- Finally, decide whether you want full color or grayscale – we know folks rooted in #GoodGovernment are judicious with printer ink.