



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

March 7, 2019

Board of Trustees
Centralia College
Centralia, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our financial statement audit of the Centralia College from July 1, 2017, through June 30, 2018. We believe our recommendations will assist you in improving the College's internal controls in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to College officials and personnel. If you have any further questions, please contact me at (360) 725-5417.

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

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

Sincerely,

Sarah Saavedra, MBA, CPA
Program Manager

Attachment

Management Letter
Centralia College
July 1, 2017 through June 30, 2018

Financial statement preparation

College management, the state Legislature, state and federal agencies, and bondholders rely on the information included in the financial statements and reports to make decisions. College management is responsible for designing, implementing, and following internal controls that provide reasonable assurance regarding the reliability of financial reporting.

The College's process and review over the accuracy of adjustments, financial statements, note disclosures and required supplementary information was not sufficiently detailed to ensure complete and accurate financial reporting over all areas.

As a result, the College:

- Overstated deferred inflows related to pensions by \$1,825,425 and understated deferred inflows related to OPEB by \$1,825,425
- Understated other operating revenues by \$547,509 and expenses by the same amount.

Minor errors were also identified in the management's discussion and analysis, notes to financial statements, and required supplementary information. All errors identified by the audit were corrected by management and have no net effect on net position.

We recommend the College strengthen its financial statement preparation and review processes. The College should dedicate the time and resources necessary to perform a thorough and effective review.