



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

October 9, 2018

Dr. Bob Mohrbacher, President  
Centralia College  
600 Centralia College Blvd  
Centralia, WA 98531-4099

We are pleased to confirm the audit to be performed by the Office of the Washington State Auditor Office of the Washington State Auditor for Centralia College. This letter confirms the nature and limitations of the audit, as well as responsibilities of the parties and other engagement terms.

**Office of the Washington State Auditor Responsibilities**

**Financial Statement Audit**

The Office of the Washington State Auditor agrees to perform an audit of the basic financial statements of Centralia College, at their request, as of and for the fiscal year ended June 30, 2108, prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Our audit will be conducted with the objective of our expressing an opinion on these financial statements.

We will perform our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Since we do not review every transaction, our audit cannot be relied upon to identify all misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we will express no such opinion.

Although our audit is not designed to provide an opinion on the effectiveness of internal control over financial reporting, we are required to report any identified significant deficiencies and material weaknesses in controls. We are also required to report instances of fraud and noncompliance with

**Hood v. Centralia College**

**Resp. to Plnt's 2d Set of RFPs**

provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the accuracy of financial statements, or any instances of material abuse that come to our attention. Abuse is defined by *Government Auditing Standards* as involving behavior that is deficient or improper, or misuse of authority or position for personal financial interests. As the determination of abuse is subjective, *Government Auditing Standards* do not require auditors to detect instances of abuse.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the standards identified above.

Our responsibility is to express in a written report an opinion on the financial statements based on the results of our audit. We cannot provide assurance that an unmodified opinion will be expressed. We may modify or disclaim an opinion on your financial statements if we are unable to complete the audit or obtain sufficient and appropriate audit evidence supporting the financial statements. If our opinion is other than unmodified, we will fully discuss the reasons with you prior to issuing our report. Further, in accordance with professional standards, we may add emphasis-of-matter or other-matter paragraphs to the report for matters that, in our judgment, are relevant to understanding the financial statements or our audit.

We will also issue a written report (that does not include an opinion) on issues identified during the audit related to the College's internal control over financial reporting and on compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.

This work is not part of any accountability audit performed by the Office of the Washington State Auditor.

The College prepares supplementary information that accompanies the financial statements, which is required by Generally Accepted Accounting Principles. We agree to perform auditing procedures on this information, with the objective of expressing an opinion as to whether it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The College also prepares other information to accompany the financial statements, which is required by accounting standards or is done at its discretion. We will perform limited procedures on this information for the purpose of identifying inconsistencies with the financial statements. However, we will not express an opinion on its fair presentation.

In accordance with professional standards, we plan to coordinate our audit with the work of the CPA firm on Centralia College Foundation in order to make reference to their audit work in our report. Our involvement will include communication with the other auditors, procedures to determine whether the Centralia College Foundation was properly presented within the government's financial statements and other procedures to evaluate the quality and results of the other auditor's work.

### Other SAO Responsibilities

- Provide management with advanced notification if we identify issues that require further audit work and increase audit costs.
- Safeguard the College's financial records and documentation from loss, damage, and inadvertent release to unauthorized persons.
- Conduct a formal entrance conference
- Conduct a formal exit conference
- Interact with College staff professionally and respectfully and communicate needs and issues in a timely manner
- Provide written correspondence during the course of the audit through email to the audit liaison
- Allow college seven days to provide a written response to any findings.

### Reporting Levels for Audit Issues

Issues identified through the auditing process will be communicated as follows. Failure to appropriately address audit issues may result in escalated 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, contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or a synopsis of it, will be published in the audit report. Professional auditing standards define the issues we must report as findings with regard to non-compliance with a financial statement effect and internal controls over financial reporting.
- **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 on the audit objectives, or errors with an immaterial effect on the financial statements. These issues are informally communicated to management, but do not warrant the attention of those charged with governance and are not referenced in the audit report.

### Client's Responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Our audit does not relieve management or the governing body of their responsibilities.

Management is also responsible for:

- Selecting and applying appropriate administrative and accounting policies.
- Establishing and maintaining effective internal controls over financial reporting, compliance, and safeguarding of public resources.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.
- Making all financial records and related information available to us.
- Correcting the financial statements based on the results of our audit.

- Identifying and providing copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented.
- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Providing us with a management representation letter on the College's own letterhead that confirms certain representations, both express and implied, which we will request at the conclusion of our audit. This letter includes representations regarding legal matters. A separate letter may be needed from the College's legal counsel.
- Following up and taking corrective action on all audit findings, including, when applicable, preparing a summary schedule of prior audit findings and a corrective action plan on the College's own letterhead.

Management will provide the Office of the Washington State Auditor with the information required for performing the audit and is responsible for the accuracy and completeness of that information. Management will notify the Office of the Washington State Auditor when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws, such as HIPAA.

All misstatements identified by the audit will be discussed with management. Material misstatements corrected by management and all uncorrected misstatements will be communicated at the exit conference, as required by professional auditing standards.

#### Management's Written Representations

At the conclusion of our audit, we will also request certain written representations from you about the audit, including items discussed above.

Additionally, the College will:

- Provide final, audit-ready financial statements and supporting documentation to SAO on or before **December 3, 2018**. If the College does not submit the financial statements to SAO by the agreed date noted above, the audit will be conducted when the audit team has availability.
- Provide SAO with documentation that the final financial statements were reviewed and approved prior to submission for audit.
- Provide financial data in a timely manner.
- Provide timely access to staff and financial records.
- Provide auditors adequate workspace with access to secure internet, phone, and electrical outlets.
- Interact with auditors professionally and respectfully and promptly communicate issues and concerns.

#### Estimated Audit Costs and Timeline

We estimate the cost of the audit work to be \$33,250 plus travel costs, and other expenses, if any, with work expected to commence by **December 3, 2018**. Invoices for these services will be prepared and presented each month as our audit work progresses.

We anticipate our reports, which will be addressed to the College's governing body and published on our website [www.sao.wa.gov](http://www.sao.wa.gov), to be available to you and the public as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

<b>Report</b>	<b>Date*</b>
Independent Auditor's Report on Financial Statements	March 2019
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	March 2019

*\*Report Issuance Dates Are Estimates Only*

The audit documentation for this engagement, which may contain confidential or sensitive information, is the property of SAO and constitutes a public record under Chapter 42.56 RCW. Subject to applicable laws and regulations, appropriate individuals, as well as audit documentation, will be made available upon request and in a timely manner to appropriate auditors and reviewers, College's management and governing body, and federal agencies for purposes of a public records request, a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

The audit documentation for this engagement will be retained for a minimum of five years after the report release (publish) date in accordance with the public records retention schedule established by the Washington Secretary of State.

#### **Expected Communications**

During the course of the audit, we will communicate with the College's selected audit liaison, **Marla Miller, Director Fiscal Services**, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed. The audit liaison is responsible for regularly updating the College's management and the governing body on these matters. We may also provide direct communication of these matters to management and the governing body as needed or at the College's request.

The SAO Audit Manager for this audit is Sarah Saavedra, CPA. Please contact us if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect the audit liaison to keep us informed of any such matters.

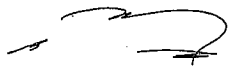
#### **Audit Dispute Process**

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

By signing and returning this letter you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

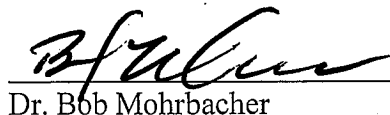
Sincerely,



Troy Niemeyer, Assistant Director    *September 26, 2018*  
Office of the Washington State Auditor

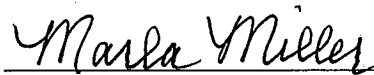
College Response:

This letter correctly sets forth our understanding.



Dr. Bob Mohrbacher  
President

*10/9/18*  
Date



Marla Miller  
Director Fiscal Services

*10/10/18*  
Date