

Risk Assessment Inquiry with Management

Below are minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions are not required to be included if not performing a financial statement audit. Auditors are not limited to these questions nor to only asking the questions based on the audit type being performed.

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| Inquiry with: (name & position) | | Marla Miller, Director Fiscal Services | Date: | 12/27/2018 |
| Question | | | Summary of Response | |
| Controls | | | | |
| 1 | Does anyone perform a risk assessment at the government-wide level of fraud, loss, noncompliance or misstated financial reports? If yes, is there written documentation available on the risk assessment? | | Yes, Marla is the risk assessment officer they send it out and they are looked at, at the department level. | |
| 2 | What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective? | | We have someone on a quarterly basis check all change funds and petty cash funds. | |
| 3 | Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls? | | Yes anything of concern would be reported to the Board of Trustees. | |
| 4 | Are you aware of any instances where normal controls or processes have been bypassed or over-ridden? | | No | |
| Financial Reporting (not required if not performing a financial statement audit) | | | | |
| 5 | Were any new accounting standards or policies implemented? If so, do you have any concerns with these? | | Do not believe they implemented anything new this year other than GASB 75/85. | |
| 6 | Have there been changes to key accounting software? | | No | |
| 7 | Have there been changes to key accounting or other personnel? | | No | |
| 8 | Are you aware of any potential pressures, motivations or requests to record inaccurate information, not record information or make unsupported changes to financial records or reports? | | No | |
| 9 | Are you aware of any recorded transactions that are unusual or that may lack support? | | No | |
| 10 | Are you aware of any disagreements about the correct accounting or reporting for any events or transactions? | | No | |
| 11 | What financial statement balances or disclosures do you think are most at risk of being misstated? What has been done to mitigate these concerns when preparing statements this year? | | Pension or OPEB are the most difficult to prepare. | |
| 12 | Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)? | | The college keeps a close watch over budget and reserves. Marla explained that the college tries to be fiscally conservative. | |
| Compliance | | | | |
| 13 | Have there been any changes in programs or services offered, or new sources of revenues? | | Marla explained the college added the bachelor's degree in teacher education. A new degree that had a very large amount of students. | |
| 14 | Have there been any new laws, regulations, contracts or grants since the last audit? | | No new laws or rules. Next year will double check on the grants. Got Commerce grants in the capital project area. Put solar panels and put doors and windows in apt. | |
| 15 | What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks? | | Just the volume of them. And the potential conflicts in state and federal because they are a smaller college. | |

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| Inquiry with: (name & position) | | Marla Miller, Director Fiscal Services | Date: | 12/27/2018 |
| Question | | | Summary of Response | |
| 16 | Are you aware of any potential noncompliance with laws, regulations, grants or contracts since the last audit? | | No | |
| Safeguarding of Public Resources | | | | |
| 17 | Have you identified any business risks that might significantly affect operations or financial condition? What has been done to mitigate these risks? | | No | |
| 18 | How does management communicate policies on acceptable business practices and ethical behavior to employees (e.g. training or awareness programs)? Are you aware of any violations of these policies? Are employees provided an anonymous way to report suspected violations? | | Do training every year. HR does training throughout the year. No issues. Yes there is an anonymous way to report. | |
| 19 | What specific areas or locations do you think are most at risk of fraud or loss? What has been done to mitigate these concerns? | | Anything involving credit cards. The College does a compliance report to try to mitigate risks. | |
| 20 | Are you aware of any actual, alleged or suspected instances of fraud or loss since the last audit? | | No | |
| 21 | Considering other audits that you have already had and the results of those audits, is there any area of concern you would like us to follow up on or incorporate in our audit? | | No | |
| 22 | Is there anything else we should be aware of? | | No | |

Risk Assessment Inquiry with Governing Body / Audit Committee

Below are minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions are not required to be included if not performing a financial statement audit. Auditors are not limited to these questions nor to only asking the questions based on the audit type being performed.

| Inquiry with: (name & position) | | Jim Lowery, Board Member | Date: | January 8, 2019 |
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| Question | | | Summary of Response | |
| Financial Reporting (not required if not performing a financial statement audit) | | | | |
| 1 | Entity management is responsible for preparing financial statements. The governing body (or audit committee) is responsible for oversight of financial reporting. Are you aware of any potential pressures, motivations or requests for management to record inaccurate information, not record information or make unsupported changes to financial records or reports? | | No | |
| 2 | Have you identified any business risks that might significantly affect operations or financial condition? If so, what has been done to mitigate these risks? | | No | |
| 3 | Is there anything reported in the financial statements that seems unusual or unreasonable, based on your understanding? | | No | |
| Compliance | | | | |
| 4 | Are you aware of any potential or actual noncompliance with laws, regulations, grants or contracts since the last audit? | | No | |
| Safeguarding of Public Resources / Monitoring Activities related to Fraud - For purposes of the following questions, the term “fraud” involves actions that result in a misstatement in financial statements due to fraudulent financial reporting or misappropriation of assets. | | | | |
| 5 | Entity management is responsible for identifying, responding to and monitoring the risks of fraud in the entity, including any specific risks that have been previously identified or brought to its attention. The governing body (or audit committee) is responsible for oversight of controls and processes established by management in these areas. How does your group oversee the management’s risk assessment and monitoring of internal controls related to fraud and safeguarding of public resources (e.g. reviewing reports from management or risk managers, conversations with management or department heads, holding work sessions related to risk assessment or control monitoring results)? | | We oversee by policy governance and dedicate the president to review reports periodically | |
| 6 | Does anyone report periodically to the governing body (or audit committee) about risk assessments related to fraud or safeguarding of public resources and any identified issues? | | Steve Ward will report to the board periodically | |

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| Inquiry with: (name & position) | | Jim Lowery, Board Member | Date: | January 8, 2019 |
| Question | | | Summary of Response | |
| 7 | <p>Auditing standards require us to ask your views on what areas might be at highest risk for potential fraud and if you are aware of any actual, suspected or alleged fraud.</p> <p><i>We have asked this same question of management and your answer also allows us to corroborate the information they have given us. RCW 43.09.185 also requires reporting of known or suspected loss of public funds or assets or other illegal activity to our Office on an ongoing basis.</i></p> | | No risks identified | |
| 8 | <p>Considering other audits that you have already had and the results of those audits, is there any area of concern you would like us to follow up on or incorporate in our audit?</p> | | No | |
| 9 | <p>Is there anything else we should be aware of?</p> | | No | |