

## 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.

Inquiry with: (name & position)		Joshua Curtis, Executive Director	Date:	11/9/2022
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?		Risk assessments are done on an ad-hoc basis if any concerns are needed to be further discussed with the board.	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?		Ballpark PFD reports to the board during each board meeting on the expenditures incurred for the month. Joshua meets with Board Treasurer a week prior to the board meeting to go over voucher payments, credit card statements, payroll and any other expenditures.  Voucher payments and expenditures are reviewed and approved by board members during each monthly board meeting.	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		At monthly board meetings, board members review expenditures. If other areas where internal controls may be weak, they are brought up and discussed during the board meetings as well.	
4	Are you aware of any instances where normal controls or processes have been bypassed or over-ridden, or where exceptions to established policies and procedures were granted?		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?		New credit card policy was implemented in December of 2021. No concern with the new credit card policy.	
6	Have there been changes to key accounting software?		The PFD changed their General Ledger software system from Sage to QuickBooks 2021.  <b>Software System Conversion:</b> The District converted to a new software system for their general ledger, QuickBooks, during 2021. There is a risk that the data transferred to the new system is inaccurate, incomplete or the user accounts and security settings in the new system do not have adequate controls in place to monitor and detect changes made in the system which could lead to potential fraud, loss or misappropriation.	

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7	Have there been changes to key accounting or other personnel?		<p>Former office manager Sharon Bruckart left the PFD in 2021. Liv Bacon, was hired as a new office manager in April of 2021. Liv left the PFD July of 2022. The PFD contracted out for an external bookkeeper, Darcy Johnson, to manage their daily accounting operations Darcy was contracted in August to manage key accounting.</p> <p><b>Financial Statement Preparation:</b> There is an elevated risk that the financial statements and general ledgers will not be correctly reported. From 2020 to 2021 two office managers were hired and both are no longer employed by the District. A new external bookkeeper was hired in 2022 to assist in day to day accounting operations for the District. <b>With the staff turnover and hiring of a new external bookkeeper there is a risk that the bookkeeper may lack the knowledge of the District's procedures for preparing the Financial Statement.</b></p>	
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?		<p>Yes. In 2021, office manager made charges on the PFD's credit card that were unauthorized and for personal expenditures. Joshua did not recognize the fraudulent charges until the office manager left the District in July of 2022.</p> <p><b>Fraud- Credit Card and Payroll Expenditures:</b> In 2021 and early 2022 the District discovered the office manager had misappropriated funds. The employee used the District's credit card for personal expenses including food and beverages which were not authorized. Additionally, the PFD discovered the employee had not been paying their half of payroll benefits accurately. <b>There is a risk that the District does not have adequate controls and procedures to minimize additional fraudulent payroll and credit card charges from occurring.</b></p>	

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10	Are you aware of any disagreements about the correct accounting or reporting for any events or transactions?		Not that he is aware of.	
11	What financial statement balances or disclosures do you think are most at risk of being misstated? Do you have concerns with any accounting estimates? What has been done to mitigate these concerns when preparing statements this year?		Credit card expenditures are most at risk due to recent fraud. PFD hired external accountant to process payroll and correctly code credit card expenses to accurate GL accounts.	
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?		On an annual basis in October, Joshua provides the District's operating budgets for review and approval from the board.  Twice a year the board reviews budget to actual reports.	
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		New revenue from King County. In 2021 the County began collecting a portion of hotel motel tax on behalf of the PFD. The PFD received hotel and motel tax revenue from the County in 2022. The revenue will be going towards the PFD's CapEx fund for capital improvement projects.	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		One new contract was procured for maintenance study of the ballpark.  <b>Procurement of Personal Service Contracts:</b> Joshua noted one new contract was procured during 2021 for the District for hiring a vendor to conduct a maintenance study of the Ballpark. <b>There is a risk the District is not in compliance with state law procurement requirements for personal service contracts as outlined in RCW 36.100.180.</b>	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		None.	
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?		If Joshua has concerns with business risks he inquires with legal counsel and the Board Chair.	
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?		Through the onboarding process of newly hired staff, employees are provided the District's acceptable business practice, ethical behavior expectations and District policies.  Joshua stated he is aware of prior office manager's violation to the District's credit card policy.	

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19	Have there been any changes to related party relationships or transactions from the prior year? Do you have any concerns with related party relationships or transactions?		No changes or concerns.	
20	What specific areas or locations do you think are most at risk of fraud or loss? What has been done to mitigate these concerns?		Credit card expenditures are an area most at risk of fraud or loss. To mitigate this concern, the District hired a third party bookkeeper to process payroll and credit card charges. The board treasurer conducts a review of payroll and credit card statements a week prior to board meetings to ensure all charges are reasonable and align with the District's operations.	
21	Are you aware of any actual, alleged or suspected instances of fraud or loss since the last audit?		<p>Yes, the credit card fraud that occurred in 2021/2022 and was discovered in 2022 by executive director, Joshua Curtis.</p> <p>Additionally there was payroll fraud on dental and medical benefits. In which the office manager, who was in charge of processing payroll, did not deduct their portion of premium for health insurance (med, dental). The office manager was 100% covered for health insurance however, per the health insurance provided through the District, only 75% of health insurance premium is covered for an employee covering a spouse/partner. Thus, the office manager should have had 25% deducted from their Salary and Wages to pay for the additional coverage of their partner. After the employee had left the District, this fraud was discovered. The total amount that should've been deducted was about \$2200.</p>	
22	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 other areas of concerns.	
23	Is there anything else we should be aware of?		No.	