

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)		Cyndi Turner, Accounting Manager	Date:	6/8/22
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?		Jordan Sherman, Internal Auditor.	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?		Weekly Council review of expenditures. The internal auditor will perform a review of changes in revenues and expenditures that are outside of our expectation. We also have a review process over JEs.	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		Not that I'm aware of. This would be a good question to check with Natasha on.	
4	Are you aware of any instances where normal controls or processes have been bypassed or over-ridden?		No	
Financial Reporting <i>(not required if not performing a financial statement audit)</i>				
5	Were any new accounting standards or policies implemented? If so, do you have any concerns with these?		No- we are currently working on the lease standard for next year.	
6	Have there been changes to key accounting software?		No	
7	Have there been changes to key accounting or other personnel?		I started at the end of 2021 (Nov). Top two accounting positions were vacated during 2021. We have filled one of those positions (January 2, 2022) and are currently trying to fill the second position.	
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?		We perform fund reviews which evaluates transactions within the fund to analyze if it seems reasonable. (Risk with the GF as a whole). No specific risk identified with this topic.	
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?		Budget variances along with fund balance that are reported to the Council.	
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		New revenue source- ARPA money Being managed by experienced staff who are keeping up on the guidance.	

Inquiry with: (name & position)		Cyndi Turner, Accounting Manager	Date:	6/8/22
Question			Summary of Response	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		ARPA money See above	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		I can't think of any.	
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?		None	
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?		I'm not aware of any specific trainings or programs.	
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?		Offsite operations center which stores inventory. We perform regular (1x per year) inventories over these locations.	
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?		I don't have anything specific that you should focus on.	
22	Is there anything else we should be aware of?		No	

Inquiry with: (name & position)		Jordan Sherman, Internal Auditor	Date:	6/8/22
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?		Natasha and managers meet monthly to evaluate their risk of fraud or loss. Concerns are then brought to Jordan for follow up. In addition Jordan also does a risk assessment at least every other year for all departments, some departments are done annually.	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?		Natasha and manager meetings are held monthly and cover controls. Each department and fiscal accountants from those departments are monitoring those controls.	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		Not regularly, only communicated by Natasha, ad hoc	
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?		Currently working on the lease standard for next year. Capitalization of interest – worked with treasury	
6	Have there been changes to key accounting software?		No	
7	Have there been changes to key accounting or other personnel?		Cyndi started at the end of 2021 (Nov). Two accounting positions were vacated during 2021. Filled one of those positions (January 2, 2022) and are currently trying to fill the second position. Hired accountant A staff who starts Monday Audit Risk: There is a risk with the recent turnover in accounting staff that financial entries and statements were not thoroughly researched/reviewed and as a result may contain errors.	
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?		New Major Fund - American Recovery, mainly for grant activity. Does not know or any concerns with it but a new major fund always has a level of risk. Audit Risk: New Fund / New Major fund	

Inquiry with: (name & position)		Jordan Sherman, Internal Auditor	Date:	6/8/22
Question			Summary of Response	
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?		Budget variances along with fund balance that are reported to the Council.	
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		SLFRF (ARPA), nothing else significant	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		SLFRF	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		Lots of new rules with SLFRF so could be at risk. <i>We considered this in our single audit and are auditing the SLFRF grant for noncompliance.</i>	
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?		None	
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?		Intranet (sharepoint) for all policies, news, updates, and management messages. Newsletter sent out via email about any changes Direct emails, calls, meetings	
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?		Utilities has a lot of transactions so that can create opportunities. Jordan has not done a lot of work at Utilities and has spent more time on Payroll and AP which he feels very comfortable with.	
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)	Anne McEnerny-Ogle, Mayor	Date:	6/10/2022
Question		Summary of Response	
Financial Reporting (not required if not performing a financial statement audit)			
1	<p><i>Entity management is responsible for preparing financial statements. The governing body (or audit committee) is responsible for oversight of financial reporting.</i></p> <p>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?</p>	No	
2	<p>Have you identified any business risks that might significantly affect operations or financial condition? If so, what has been done to mitigate these risks?</p>	No	
3	<p>Is there anything reported in the financial statements that seems unusual or unreasonable, based on your understanding?</p>	No	
Compliance			
4	<p>Are you aware of any potential or actual noncompliance with laws, regulations, grants or contracts since the last audit?</p>	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	<p><i>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.</i></p> <p>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)?</p>	Reviewed vouchers, weekly, constantly asking questions. Receiving updates from Natasha and department managers.	
6	<p>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?</p>	The Council members ask questions and receive verbal assessments	

Inquiry with: (name & position)		Anne McEnerney-Ogle, Mayor	Date:	6/10/2022
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>		<p>Anything that has to do with Cash is a higher risk. Permitting, utilities, and parking receipting. Anne talked about mitigation procedures such as segregation of duties and also how in parking they are switching to more virtual payments and eliminating cash where they can.</p> <p>Overall no direct audit risk, as we will evaluate cash and cash receipting during our normal planning procedures.</p>	
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>		None	
9	<p>Is there anything else we should be aware of?</p>		<p>Not applicable to current Audit</p> <p>Anne was curious about different requirements over prevailing wage and apprenticeship programs done by the contractors. As required by RCW she was interested in who is responsible for ensuring they are active and meet requirements, City, L&I, contractor or all three.</p> <p>The City is preparing in the near future to start design and construction of several buildings and they are currently researching all potential requirements.</p> <p>While we noted no direct risk to our current audit we talked about monitoring procedures and what may be conducted by SAO, including davis bacon for federal portions of projects.</p>	