Date: Monday, January 9, 2023 11:36:42 AM
Attachments: image001.png

From: Sherman, Jordan <Jordan.Sherman@cityofvancouver.us>
Sent: Wednesday, December 21, 2022 12:46 PM
To: Lester, James (SAO) <james.lester@sao.wa.gov>
Cc: Hoeft, Nicholas (SAO) <hoeftn@sao.wa.gov>
Subject: RE: SAO - Draft Findings

External Email

Accountability response:

The State Auditor's Office has the ability to audit the annual financial statements for smaller entities, such as the Vancouver Transportation Benefit District, on a basis less frequently than every year. The financial reports for 2019, 2020, and 2021 were all audited at the same time. Staff is now aware that despite the statements not being audited for several years we are still required to prepare and file them annually and have established a process to ensure that happens in the future. However, since the auditors audited all three years together the impediment to their timely audit was not as dramatic as implied in the effect of condition segment.

Comments:

- " The District filed its 2019, 2020 and 2021 annual reports 807, 2 and 109 days late, respectively." Seems to be saying that our 2021 filing was later than our 2020 filing but we filed them all the same time so the 2020 filing should be later are you sure these figures are correct?
- Would your office be willing to change "respond" to "file on time" in the following sentence: "The District's failure to respond impeded our Office's ability to audit the government in a timely manner, as state law requires"

Financial Statement response:

As described in the background segment of this finding, generally accepted accounting principles require governments to report both "Government-wide" statements in addition to reporting "fund level" statements. However, the Vancouver Transportation Benefit District only presents one fund and the "different basis of accounting" has no impact on the reporting of financial transactions. This results in two separate statements that are basically duplicative with the only difference being a renaming of "fund balance" to "net position". Staff believed that this effect was immaterial to the fair presentation of the district's statements but have now updated the preparation tools to ensure that both sets of statements are included going forward.

Regarding the missed accrual between 2019 and 2020, this was a unique situation for the district. During that time, it was uncertain if the district would be able to claim any of that money as valid revenue and as such it had been held in a temporary account pending the determination of the collectability of those funds. This situation disrupted our normal process for accruing revenues and resulted in the stated error. We have updated our review procedures for the district to catch any missed accruals in the future.

Comments:

- Under "Cause of condition" section would your office be willing to eliminate the part of us being unfamiliar with the financial activity so it reads as follows:
  The District experienced significant turnover in key financial positions during the audit period. As a result, staff responsible for preparing and reviewing the financial statements were unfamiliar with prior audit recommendations.

Thanks and don't hesitate to call or otherwise reach out if you have questions

Jordan Sherman, Internal Auditor
City of Vancouver
Financial and Management Services
(360) 487-8463

From: Lester, James (SAO) <james.lester@sao.wa.gov>
Sent: Tuesday, December 20, 2022 1:18 PM
To: Sherman, Jordan <Jordan.Sherman@cityofvancouver.us>
Cc: Hoeft, Nicholas (SAO) <hoeftn@sao.wa.gov>
Subject: SAO - Draft Findings

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Hello Jordan.

The draft Findings have finally made it through review. Please see attached.

You will note the Findings are similar, but one will be in the Accountability audit report, and one will be in the Financial audit report. The District needs to draft a response to each, which we will also post in the final audit reports. I imagine the responses will be similar (or even the same for both). Because this is for the District and no Single audit was performed, we do not need Corrective Action Plans for either Finding. So the responses can simply be in the form of an email, which we can copy and paste into the audit report.

Lastly, have you had an opportunity to make those final corrections to the financial statements and re-submit them to our portal? We will need that to be completed before we wrap up the Financial audit report.

It's probably too late to schedule the Exit conference before everyone disappears for the Holidays, but the Finding responses and re-submitted financial statement corrections are the only items currently pending before we can wrap up the audit. After that, we can get you the Representation Letter and schedule the Exit.

Please let me know if you have any questions.

Thank you!

James Lester
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