

## Risk Assessment Inquiry **with Management**

Questions below are minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions can be skipped if not performing a financial statement audit. Auditors are not limited to these questions.

<b>Inquiry with:</b> (name & position)	<b>County Auditor Natasha Warmenhoven</b>  <b>Chief Deputy Auditor Heather Lee</b>	<b>Date:</b>	<b>7/17/23</b> <b>7/17/23</b>
Question		Summary of Response	
<b>Controls</b>			
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?	<b>Yes, Natasha and Heather – ad hoc</b>  <b>Yes, Natasha and Heather – ad hoc</b>	
2	What processes (nature, extent and frequency) are in place to monitor whether internal controls are effective?	<b>Business as usual, getting trainings to the new people. Attempting to change to Munis, getting those trainings out. Hasn't been any room for growth or change.</b>  <b>Excited to move to Munis, still outdated. Putting pieces together. Hard to pull reports.</b>  <b>In Payroll have a lot of spreadsheets created to catch mistakes in the system. Sure that with changes to systems, there's a lot of potential for error with turnover.</b>  <b>Anticipating change, but nothing coming. No changes at all. Kept it black and white and to the procedures.</b>  <b>Heather reviews and post all JE does all the JE, checks all that Reti does with the banking. Natasha still signs off on large AP.</b>  <b>See above.</b>	

Inquiry with: (name & position)		County Auditor Natasha Warmenhoven  Chief Deputy Auditor Heather Lee	Date:	7/17/23 7/17/23
Question			Summary of Response	
3	Does anyone report periodically to the governing body (or audit committee, if applicable) about internal controls?		<p>Did additional training for new council members, taking the time to bring them up to speed. Council has a couple of weeks through the year and remind them everything that the auditor's office does. Molly and Natasha are available questions.</p> <p>Two Councilmembers are halfway through the terms.</p> <p>Each session, Council is provided a financial packet including warrant approval memos – entered into by clerks, approved by elected, audited by AP deputy. Reviewed and approved by Natasha Mike county manager, the into financial packet for Council. Also includes Inter Transfer reports. Payroll approvals only once a month.</p> <p>Departments heads can also present budgets, but haven't been recently.</p> <p>The County does multiple budget amendments throughout the year so the Council is familiar.</p> <p>Councilmembers do have read-only access to Eden.</p> <p>Natasha would bring any identified concerns to Council.</p> <p>Nothing yet, Molly is preparing budget, and attending meetings with Council. Haven't entirely settled yet, transitioning out of the past role.</p>	
4	Are you aware of any instances where normal controls or processes have been bypassed or over-ridden?		No. No.	
Financial Reporting (skip 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?		<p>GASB 87 – Reti and Milene were working through. Dug up everything. Keeping a spreadsheet. Reviewing all the agreements as they were coming in.</p> <p>Nothing on mind. Asked to share some resources about SBITAs and how to Change financial systems</p>	

<b>Inquiry with:</b> (name & position)		<b>County Auditor Natasha Warmenhoven</b>  <b>Chief Deputy Auditor Heather Lee</b>	<b>Date:</b>	<b>7/17/23</b> <b>7/17/23</b>
Question			Summary of Response	
6	Have there been changes to key accounting software?		<p>➤ Mid-transition from EDEN to enterprise ERP made a lot of headway in 2022. Actually on pause. For another week – Transitioning financials at the end of the year – likely 2024. Transitioning HR first - Transitioning asset management,</p> <p>➤ HR Transitioning into additional software – Mobile Eyes code enforcement software with the fire marshal</p> <p>See above.</p>	
7	Have there been changes to key accounting or other personnel?		<p>➤ Randal Gaylord -&gt; Amy Vera New PA</p> <p>➤ Milene Henley retired -&gt; Natasha W.</p> <p>➤ Jamie Stevens retired -&gt; Jane Fuller took over as council member</p> <p>➤ Ron Krebbs is a deputy now -&gt; Eric Peter is new sherriif</p> <p>➤ David Williams Director of Dpt of Community development in 23 (vacant)</p> <p>➤ Director of ERR fleet services in 23 (vacant)</p> <p>➤ Chief Dpt Treasurer – Oscar Rivera departed -&gt; Alex Oettinger transferred from assessors office to take over</p> <p>➤ Heather Lee was PR Dept – Promoted to Chief Deputy Auditor also happened in 23</p> <p>New County Clerk – Sally Rogers</p> <p>A lot of HR turned over – HR Director just left. James wolf -&gt; Hired Director of HR Angie Bired in 22. Angie then hired risk manager Corey Moriyama.</p> <p>New HR Generalist (Bonnie Cap left) Nadine Varsovia.</p> <p>County Clerk Switched from AV Capture for OPMA and agendas just happened in 23</p> <p>See above.</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. No.	
9	Are you aware of any recorded transactions that are unusual or that may lack support?		No. No.	
10	Are you aware of any disagreements about the correct accounting or reporting for any events or transactions?		No. No.	

<b>Inquiry with:</b> (name & position)		<b>County Auditor Natasha Warmenhoven</b>  <b>Chief Deputy Auditor Heather Lee</b>	<b>Date:</b>	<b>7/17/23</b> <b>7/17/23</b>
<b>Question</b>			<b>Summary of Response</b>	
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?		Always the Schedule 16 – That’s why Libby is here. She works hard to make sure everything is clear and accurate. Natasha very minimal involvement in the SEFA preparation. (note – brought to brainstorm in other steps, no concerns here.)  Nope. Nothing goes through without two or three eyes on it. We have a great team.	
12	Are any financial performance measures or targets used by management or the governing body (ex: budget variances, etc)?		Yes, see above about financial packet to board.  See above.	
Compliance				
13	Have there been any changes in programs or services offered, or new sources of revenues?		Switched facilities from Fund 1 to current expense fund. Health van going around performing community services.  See above.	
14	Have there been any new laws, regulations, contracts or grants since the last audit?		Nothing substantial.  Nope	
15	What laws, regulations or contracts do you think are most at risk of noncompliance? What has been done to mitigate these risks?		Can’t think of any  None	
16	Are you aware of any potential noncompliance with laws, regulations, grants or contracts since the last audit?		No. No.	
Safeguarding of Public Resources				
17	Have you identified any business risks, conditions or events that might significantly affect operations or financial condition? What has been done to mitigate these risks?		Away from COVID –  Tourism never slowed down. COVID hasn’t been a hamper.  Milene was the head of budget. She had the foresight to hire – Budget analysis. Molly Foote doing the budgeting process. About to go through the biennial budget.  See above.	

<b>Inquiry with:</b> (name & position)		<b>County Auditor Natasha Warmenhoven</b>  <b>Chief Deputy Auditor Heather Lee</b>	<b>Date:</b>	<b>7/17/23</b> <b>7/17/23</b>
Question			Summary of Response	
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?		<p>New trainings and all employee listing for e-mail for new policies. Have new communication specialists. Discussion at DPT Head meetings, put it on bulletin board. "Please communicate this to staff that may not have computer access."</p> <p>Whistleblower system: Don't have anything, not internal to the County.</p> <p>See above.</p>	
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?		<p>None come to mind.</p> <p>None.</p>	
20	Are you aware of any actual, alleged or suspected instances of fraud or loss since the last audit?		<p>No. Already reported to the office. Fraud this June. Have a scheduled meeting with IT team in a couple weeks. Got into County e-mails, and vendor e-mails had valid invoices and spoofed invoices. (note – brought to brainstorm in other steps, no concerns here.)</p>	
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?		<p>Natasha would really like a payroll audit. Small County – one person who knows it well. Needs to be at least 3 people who know. Risk brought to brainstorm.</p> <p>No. Wants to be involved in the audit, like to understand it more. Please include in all the e-mails.</p>	
22	Is there anything else we should be aware of?		<p>No. No.</p>	

## Risk Assessment Inquiry **with Governing Body (or Audit Committee)**

Questions below are the minimum extent of inquiry, although not every question will be applicable to every person we interview. Financial Reporting questions can be skipped if not performing a financial statement audit. Auditors are not limited to these questions.

<b>Inquiry with:</b> (name & position)	<b>Chair Cindy Wolf</b>  <b>County Manager Mike Thomas</b>	<b>Date:</b>	<b>7/18/23</b> <b>7/24/23</b>
<b>Question</b>		<b>Summary of Response</b>	
<b>Financial Reporting</b> <i>(skip if not performing a financial statement audit)</i>			
0	<i>How has your year been?</i>  <i>How would you say the County is doing overall?</i>	Been a busy year – had some turnover in the DCD  We've had greenhouse gas seawater level survey.  <b>Good.</b>  <b>Didn't know what Covid was going to do. Sales tax was only down 2%. Lodging ta took a bigger hit in the year. Sales tax went back up 30%. Sales tax surpassed the property tax.</b>	

<b>Inquiry with:</b> (name & position)	<b>Chair Cindy Wolf</b>  <b>County Manager Mike Thomas</b>	<b>Date:</b>	<b>7/18/23</b> <b>7/24/23</b>
Question		Summary of Response	
*	<p><i>Note: Question specifically for Mike Thomas as part of planning our work reviewing the County's land bank due to his direct role in supervising that County function.</i></p> <p><i>We are planning to review the controls and processes at the land bank this year. In transparency, this is in part due to a Citizen hotline concern we received about the Landbank. We recognize that there may be other forces at play when we're reviewing this area – we want to of course audit to our expectations and County policy, but we also want to prioritize our relationship with the County.</i></p> <p><i>Are there any special considerations we should keep in mind when reviewing this area? Is there anything we could do in our audit work to make sure the County feels supported as part of this review?</i></p> <p><i>From your role in supervising the landbank, are most of the policies and procedures formalized, or best practice expectations? (More directly) What written policies and procedures are in place governing the landbank?</i></p> <p><i>What level of activity is there at the landbank? Could you help give a better idea of the amount of purchases year over year?</i></p> <p><i>How are properties first identified for purchase?</i></p> <p><i>Who would you say the key staff are for the land bank?</i></p> <p><i>How many people are involved in the typical land bank purchasing process, from identification of a parcel to finalizing?</i></p>	<ul style="list-style-type: none"> <li>Politically polarizing, full time job to pick on them.</li> <li>Budget, process to purchase</li> <li>Council final arbiter</li> <li>Do get a number of grants through.</li> <li>Mostly run off of best practice expectations.</li> <li>Acquisition plans that County has to accept. Has to work with Pa office on the acquisition. The rest of the money is spent on the maintenance and improvements for the land</li> <li>Land bank commission Council minutes</li> <li>Deed acceptance 1-2 properties each year at best, significant process. San Juan Preservation Trust is a major player.</li> <li>REET numbers – far less than last year.</li> <li>Be interested to know where those conversations go.</li> <li>Money they might be the biggest department.</li> <li>Created new acquisition policy document to make sure they have all the information. Make sure the information is in the right order. Go ot commission go to Council, all need same level of information. Best practices before. Formalized. PA has big role in reviewing the documents.</li> </ul>	
1	<p><i>NOTE: management is responsible for preparing financial statements. The governing body 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>	Nope. <b>Nope.</b>	

Inquiry with: (name & position)		Chair Cindy Wolf  County Manager Mike Thomas	Date:	7/18/23 7/24/23
Question			Summary of Response	
2	Have you identified any business risks, conditions or events that might significantly affect operations or financial condition? If so, what has been done to mitigate these risks?		What I'm hearing from the health dpt. There's been an investment in long term public health. County is having a really hard time with housing right now. Losing housing funding right now – state came through with money on the other side.  Used ARPA to supplement rental assistance. Used community resource centers to bump up availability of emergency rental funds. Allocate them more funding for caseworkers for housing.  Lifted vaccine mandate for employees. Also lifted the masking order. Food bank (not tech county) had an uptick in need because of the food stamps.  State legislature did kick in some funds through commerce – non-profits have been able to access those funds directly.  See Question 0.	
3	Is there anything reported in the financial statements that seems unusual or unreasonable, based on your understanding?		No.  No.	
Compliance				
4	Are you aware of any potential or actual noncompliance with laws, regulations, grants or contracts since the last audit?		No. Did find out that critical areas ordinance is overdue.  Nope.	
Safeguarding of Public Resources				



5	<p><i>NOTE: management is responsible for identifying, responding to and monitoring risks of fraud. The governing body is responsible for oversight of controls and processes established by management in these areas.</i></p> <p><i>What would you say the Council's current role in monitoring the County's financials is?</i></p> <p><i>What reports do you typically review? Is there anything more you'd like the Board to be doing, or any improvements you think could be made?</i></p> <p><i>Do you have access to all of the information you'd want to?</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 (for example, 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>	<p>Pretty high level – do mostly budgetary work. Keep an eye on the general cash flow. Molly is very good at her job. Get comprehensive report quarterly. Look at grant funding requests to give approvals. General policy guidance on where Council wants the emphasis of county work placed.</p> <p>Grant reports, Supplementals and emergency budgets. Departments requesting FTEs, usually. Just are finishing consultant doing wages audit to see if competitive in the market and have parity for types of work. Admin for county manager will send contracts reports. See what other kind of work is going on.</p> <p>High level approach is good – if we see red flags, admin is okay. Do have access to all the information. Wish I thought to ask for line item draft, but get admin drafts and consent agendas.</p> <p>Auditor's office is the main control. Sign off on monthly billings, warrants, stuff out of the treasurer's offices. Don't create the. Are expenditures appropriate – does anything stand out. Scan through. Some payroll. Mike has the authority to go in and approve payroll. Sign off on contracts over 10k and agreements. Tons of grant agreements, some requirement for Council action.</p> <p>John Kane the PA reviews all contracts. Mike get the contracts last. Procurement process at the department level.</p> <p><b>Authority has been deferred to him on signing stuff. Take more to Council than needed. Take higher level decisions to the Council.</b></p> <p><b>Processes are good, if you have new people it takes longer to do stuff. Work backs up. Delays. Tying to get work done and</b></p> <p><b>Recruitment and retention.</b></p> <p><b>Compensation study – negotiation the two labor</b></p> <p><b>HR person is working on a study right now. Trying to make adjustments.</b></p> <p><b>Level of benefits.</b></p> <p><b>Started an internship program this year – Nadine in HR got that rolling. Target is to identify kids who are in college or post-college, 6-8 students interested in local governments.</b></p>
6	<p>Does anyone report periodically to the governing body about risk assessments related to fraud or safeguarding of public resources and any identified issues?</p>	<p>Yes, Natasha.</p> <p><b>Yes, Natasha .</b></p>

<b>Inquiry with:</b> (name & position)		<b>Chair Cindy Wolf</b>  <b>County Manager Mike Thomas</b>	<b>Date:</b>	<b>7/18/23</b> <b>7/24/23</b>
<b>Question</b>			<b>Summary of Response</b>	
7	Audit 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.  <i>NOTE: if you ever become aware of known or suspected loss of public funds or other illegal activity in the future, RCW 43.09.185 requires reporting to our Office. This allows us to work with you on how to investigate or respond to those kind of situations.</i>		Nope. Don't know of anything would indicate fraud.  <b>N/A</b>	
8	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?		Nope.  <b>No.</b>  Know before (you go) training by the County for EFTs. All IT oriented, phishing codes. Phone calls. Internally changes to payroll should be verify.	

Do you feel that the governing body has had enough communication with us about audits?

- *If no or unsure, then is there anything in particular we could communicate better about?*
- *If the board has not been attending entrance or exit conferences, let them know we welcome their involvement and ask if there's anything we can do to make it easier for them to attend in the future.*

9

*NOTE: we appreciate your public service and want to respect your time. We also respect your important role in leading the government and overseeing management. Professional standards require auditors to communicate with the governing body on a number of matters, but it can be bit more challenging in the government with Open Public Meetings. Please know that we're always available to talk with you, and are committed to providing you the information you need about the audit.*

I like this check-in with the Chair. I think it's great to have an annual communication like that. No further suggestions.

Pretty good. Hard to wait till the exit. Doing great at being proactive