

Columbia County

General

Code: 06Columbia-AC17-SA17
Name: Columbia County
Group: Tri-Cities
Type: 06-County
Location: Columbia
Scope: Accountability, Financial, SA

Team

Lead:
Manager:

Procedures

A.1.PRG - TeamMate Administration

Procedure Step: Audit Set Up
Prepared By: MDR, 6/28/2018
Reviewed By: DHO, 7/2/2018

Record of Work Done.:

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1. Added the audit team to the project
2. Set the Project Manager and Lead
3. Filled out the audit profile
4. All projects - Checked Data Validation System for errors
5. Resolved all TMDV Errors
6. Set up my favorite global tickmarks, if needed
7. Initialized the audit file

A.1.PRG - TeamMate Administration

Procedure Step: Project Review & Finalize
Prepared By: MDR, 9/19/2018
Reviewed By: DHO, 9/19/2018

Record of Work Done.:

All of the following steps have been completed for this audit file:

- All outstanding replicas are merged.
- All workpapers have been reviewed.
- Coaching notes have been addressed and cleared.
- Hardcopy files have been completed and reviewed.
- Unnecessary files and databases have been appropriately disposed of, and any files or databases needed for future periods have been appropriately secured in accordance with SAO's administrative policy on Data Security and Access.
- The audit profile has been completed.

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- Issue content has been reviewed and required fields completed.
- All issues have been signed off as reviewed.
- All TeamMate Data Validation errors are resolved.
- Project Status has been changed to Post Fieldwork

The audit will now be finalized.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Engagement Letter
Prepared By: MDR, 8/14/2018
Reviewed By: GLW, 8/16/2018

Record of Work Done:

We developed an engagement letter using our template and considering the scope and factors affecting the audit (Engagement Letter - Local Govt).

We also considered who at the government should sign the letter and the most appropriate time to obtain the signed letter, considering the circumstances of the audit and our understanding of entity operations and the control environment.

We obtained the signed engagement letter as shown at Signed Engagement Letter - ColCounty. No further work is considered necessary.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Review Annual Report
Prepared By: MDR, 7/10/2018
Reviewed By: GLW, 7/17/2018

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Record of Work Done:

To review the annual report, auditors are **required** to perform the following procedures:

- **Check the Data tab of EIS to determine whether the annual report was filed by the statutory deadline.**

We checked the Data tab of EIS and determined the annual report was filed by the statutory deadline. The report was due 5/30/2018 and was submitted on 5/30/2018.

- **If the government has not yet filed, request they do so to meet requirements of RCW 43.09.230 and in order to ensure the most efficient, effective audit process.**

Not applicable.

- **If the government has filed, auditors should review the following reports:**

- *Attached schedules / Schedule 15 – State Grant Expenditures*

We noted the County received \$2,321,583 in state grants. This represents 19% of total annual revenues for the County (\$12,530,242) and is a significant revenue stream. State Grant revenues decreased by 1% from the prior year. State grants were reviewed during the FY16 audit with no issues noted. We noted grants material to the financial statements here (Material Compliance Requirements) and will review these grants here (State Grants).

- *Attached schedules / Schedule 17 – Public Works and Day Labor (cities and counties)*

Not applicable.

- *Attached schedules / Schedule 21 – Risk Management*

The County self-insures for Unemployment Compensation. The County received and paid 1 claim in FY17, totaling \$4,590. No specific risk identified, but we have not reviewed this in the last two years, so we will review this area during our FY17 audit. **There is a risk the County does not have sufficient reserves for future claims.**

Attached schedules / Schedule 22 – Annual Audit Assessment (if applicable)

Not applicable.

- **If the government reports on a cash basis, auditors should also review the Yellow Flag report to determine if reported financial information is reliable enough to use for analytical procedures.**

We reviewed the Yellow Flag Report and noted the following errors:

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- Schedule 1 - We noted 6 errors, all of which were due to BARS Accounts having multiple names, but only one name being allowed to be shown on the financial statements. Because of this, it is uncertain whether the BARS Account used was allowable. Potential risk of misclassified transactions. No specific accountability-related risks identified.
- Debt: Beginning Outstanding Check - We noted a variance of \$3,366,285 due to FY16's ending Pension Liability balance not being included in FY17's beginning Pension Liability balance. Risk of the County not fully reporting Pension Liability. This balance will be reviewed during the financial statement audit here: Presentation and Disclosure ([Review Presentation & Disclosure](#)).
- Fund Balance: Ending Check - We noted a net variance of \$39. This amount is not material to the financial statements. No specific accountability-related risks identified.
- Interfund Activity Check - We noted a variance of \$1,071 due to Transfers In being higher than Transfers Out. This amount is not material to the financial statements. No specific accountability-related risks identified.
- State Treasurer Distribution Check - We noted a variance of \$11,466 due to the County reporting less for Leasehold Excise and Timber Excise Tax than the State reported. Potential risk of the County under-reporting taxes. This balance will be reviewed during Cash Reconciliation ([Baseline Testing](#)).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Understanding Entity & Environment

Prepared By: MDR, 7/18/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done.*

Procedures Performed to Update Understanding

To gain an understanding of the government's operations, environment and entity-wide COSO elements, we performed the following procedures:

- Reviewed applicable planning guides:
 - [Counties General](#)
 - [County Assessor and Property Tax](#)
 - [Courts](#)
 - [Jail](#)
 - [Police Sheriff](#)

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- General inquiries and discussion with the audit liaison
- General observation and inspection while working on site
- Gained an understanding of the government's operations and environment, including identification of the reporting entity, key operational information and significant accounting practices. Our understanding is documented in the Permanent File section of the audit. ([BARS Cash Basis](#))
- Gained an understanding of internal control components (based on the COSO framework) for the government as a whole. Our understanding is documented in the Permanent File section of the audit. ([BARS Cash Basis](#))
- Identified and evaluated key software applications in the Permanent File section of the audit. ([Key Software Applications - Local Govt](#))
- Gained an understanding of the significant internal control systems, including determination of when systems were last reviewed and identification of any red flags that have not been recently addressed. Our understanding is documented [[AC History Matrix](#)].
- Reviewed and updated government profile information in EIS.

Significant Events, Changes and Issues Noted:

No significant events or changes occurred during the audit period.

Risks Noted from Planning Guides:

General Counties

- Restricted Funds consist of Overhead Costs, Internal Service Funds (Inequitable Billing and Unallowable Disbursements), County Road Fund, Building Permit Fees, and Interfund Loans and Transfers. The County had no reserved cash for ER&R, Planning Special Assessment, or County Road. The County had \$14,457 in Reserved Current Expense and \$23,161 in Reserved Hotel/Motel Tax. The County received an exit recommendation regarding ER&R rates in a previous audit. This item was included in the 2016 FAWF, and further, the County hired a Forensic Accountant in 2017 to perform an independent review of ER&R rates. We have not yet reviewed the results of that engagement. **The risk is that these funds are being used inappropriately. The risk is that the ER&R funds result from inequitable billings.**
- County Fairgrounds. The risk is that interfund loan procedures are not followed (if fair fund borrows from general fund). We reviewed the notes to the Financial Statements and confirmed with Sharon Richter that the County does not have interfund loans with the County Fairgrounds. Risk that funds receipted at fairgrounds are not adequately safeguarded and/or deposited with the County Treasurer timely. The County has received recommendations in prior audits regarding the cash receipting at the Fairgrounds. During the 2016 audit, the County received an exit recommendation regarding the lack of written policies and procedures for cash receipting at the Fairgrounds. The County was unable to reconcile cash receipted to deposits. There is a further risk that the County has not developed policies or procedures and continues to be unable to reconcile the receipts and deposits at the Fairgrounds. We will issue a recommendation. [E - County PoliciesLOR Summary](#)
- County Road Levy Diversion and Allowable Uses. Not applicable (less than 8,000 citizens).

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- County Administered External Investment Pools. The risk is that the County improperly classifies these Investment Pools as agency funds versus a separate fund. This appears to be a financial statement risk which we will document here ([Understanding Entity & Environment](#)).
- Awarding Bids through Purchase Cooperatives. Purchase requirements not being met due to piggybacking agreements where the original entity does not meet the piggybacking entity's purchase requirements. We found in our Minutes review that the County has interlocal agreements with Columbia County Public Health (\$1,220), City of Dayton (\$51,642), Columbia County Public Transportation (\$150), Garfield County (\$4,172), and King County (\$2,897.52). We did not identify any interlocal agreements for purchases.

Assessor (We last reviewed Assessor Exemptions and Deferrals in FY14 with no issues noted. DOR last reviewed Assessor Levy Limits in 2013, with a new audit due in 2018)

- Revaluation and Physical Inspection Cycles (Assessor). Counties are required to establish a revaluation schedule (revaluation plan) that results in all taxable real property within the county being revalued annually and physically inspected at least once every 6 years. The Assessor's office should have documentation of this schedule and records of actual revaluations and inspections available for audit. **This area has not been reviewed in at least 8 years. Potential risk that the County does not perform revaluations of real property within the required 6-year cycle.**
- Timely Appraisal of New Construction (Assessor). The objective of testing this area is to determine whether appraisals of new construction occurred in a timely manner (by the statutory deadline). **This area has not been reviewed in at least 8 years. Potential risk that the County does not perform appraisals of new construction within the required 1-year of permit issuance.**
- Uniform Personal Property Assessment (Assessor). Determine whether the county performed adequate discovery procedures to identify business personal property owners and all business personal property. This does not appear to have been reviewed in the last 8 years. **Potential risk that the County does not perform adequate discovery procedures to identify business personal property owners and all business personal property.**
- Uniform Real Property Assessment (Assessor). Determine whether real property assessments were in compliance with RCW 84.40.030, which requires that properties be assessed at 100% of their true and fair value. **This** does not appear to have been reviewed in the last 8 years. Potential risk that real property assessments were not in compliance with RCW 84.40.030, which requires that properties be assessed at 100% of their true and fair value. This appears to be outside of our scope.
- Exemptions (Assessor). We would expect the assessor's office to perform periodic discovery procedures to identify properties that no longer qualify for an exemption (ex: review obituaries, property transactions, contacting property owners after a set number of years, etc.). Our primary accountability concern in this area would be that the county has adequate internal controls in place to apply and monitor exemptions. We reviewed exemptions in FY14 with no issues noted.
- Reporting Guidelines (Assessor). One of the biggest challenges facing most county assessors and treasurers is updating their procedures and systems to meet increasing workloads. As a result, county assessors continue to struggle to meet statutory deadlines. This does not appear to have been reviewed in the last 8 years. **Potential risk that the County has not been meeting statutory deadlines due to increasing workloads.**

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Treasurer (we have not reviewed this area in at least the last 8 years)

- Reporting and Receipting (Treasurer). County treasurers have historically struggled to implement adequate controls over accounting entries, cash receipting, and key software functions. **This area has not been reviewed for at least 8 years (beyond the Cash Reconciliation FS Audit Step). Potential risk that controls over accounting entries, cash receipting, and key software functions are inadequate.**
- Tax Allocations and Distributions (Treasurer). Distributions are done automatically by the computer, so any testing of this area would entail testing of the automated controls over this process. Due to increasing workloads, counties are relying more on software for calculations apportioning the levy to individual properties based on assessed value, and the disbursement of receipts to the appropriate districts. This area has not been reviewed for at least 8 years. Potential risk that the County relies on key software to perform calculations without verifying that the calculations are correct and/or are based on correct data tables. As the County has switched to a new software system as of January 2018, we will consider this for review in future audits as any potential recommendations would no longer be applicable. FAWE

Courts (We last reviewed Court Bail Bonds in 2012, resulting in an exit item. We last reviewed Court District monthly audit report review in 2014 resulting in an exit item. We last reviewed Court - District non-cash adjustments, Court - District-Trust accounts, Court - Superior non-cash adjustments, and Court - Superior Trust Accounts in 2014 with no issues noted.)

- The most important accountability risk for courts is misappropriation – court operations include billing, adjustments, collections, receipting, disbursements and trust account management. Due to the nature of court transactions, the highest risk is for misappropriation of receipts via adjusting / deleting cases or substituting for another revenue stream. The following are common control weaknesses found in courts that greatly increase misappropriation risks: inadequate segregation of duties, lack of monitoring of transactions and/or audit reports, and lack of reconciliation between check register, bank statement, and JIS for trust accounts. **This area was last reviewed in FY14, with the Monthly Audit Report Review section resulting in an exit item. Potential risk of lack of monitoring of audit reports.**
- Jury Expenses. Stipends, mileage for jury members and witnesses are often paid through a separate system. The system often includes different controls and processes than the city's or county's normal accounts payable processes. This does not appear to have been reviewed in the last 8 years. Potential risk that Jury Expenses lacks adequate controls to safeguard public resources (County funds). As the County is so small, Jury Expenses would include minimal activity. We will pass on further review.
- Bail payments made by credit card - courts that allow bail payments by credit card and later refund the bail using a check are exposing public funds to the risk that the credit card activity was fraudulent (in which case, the court has reimbursed an expense that it was never paid in the first place). This does not appear to have been reviewed in the last 8 years. Potential risk that bail payments made by credit card are being refunded by check when the credit card activity was fraudulent. As the County is so small, there would be minimal activity in this area. We will pass on further review.

Jail (we have not reviewed these areas in at least the last 8 years)

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- Billings to other Jurisdictions for jail services (RCW 70.48.090 and 70.48.440). We would expect at least some billing activity for all jails for inmates detained by the city or county police and later transported to other jurisdictions (federal, state or local). In addition, RCW 70.48.090 allows for cities and counties to contract with other counties and cities for jail services (sometimes referred to as "boarding contracts"). The calculation of such billings can be difficult. If the city or county does not have a good system in place to generate the billings, they may contain systematic or clerical calculation errors.
- Work Release Program Payments (RCW 70.48.210, 380). Essentially, inmates request to work outside of jail (returning to serve their sentence after work hours) or request to be transferred to a work release facility (like a farm or camp or other special facility). Such programs are established by policy, so details vary. Earnings from work release inmates may be collected by the jail where they may deduct certain fees first (e.g.: 10% of wages earned or a daily fee for room and board) and any court ordered restitution or victim compensation before remitting remaining funds to the recipient. The payment or daily fee will be based on a calculation determined by policy and is collected by the jail according to the inmate's pay schedule. The risk is that the funds are not properly collected/assessed or monitored. Not applicable. Columbia County does not operate a work release program. Will pass further review.
- Bail. Jails may receipt bail money after-hours when the court is closed. Bail must be receipted against court approved bail orders, so if the jail is allowed to receipt these funds, the Clerk's office will send bail orders to the jail so they always have a list of all bail orders. When bail money is receipted at the jail, it must be deposited and then reported to the court for entry into JIS.
- Commissary. Auditors should determine whether commissary services are provided by the government, through a contracted vendor or through a third-party receipting vendor. If provided by the government, auditors should evaluate sales volume and commissary inventory and consider testing inmate accounts and inventory based on the evaluation. If provided by a contracted vendor, auditors should evaluate the contract and consider testing for contract compliance. Regardless of who is providing commissary services, we would not expect inmates be able to purchase non-personal hygiene commissary items on credit.
- Inmate Telephone Fees. Jails typically provide a method for inmates to make either collect telephone calls or calls using authorized pre-paid accounts (similar to calling cards). We would expect jails to have agreements with the phone and pre-paid service providers which clearly establish the amount of proceeds due to the local government. Phone and pre-paid service providers typically remit these payments via check or they may use a third-party receipting vendor to accept credit cards or other electronic payments.
- Booking fees (RCW 70.48.390). Governing units may assess a booking fee which is based on the jail's actual booking costs or \$100, whichever is less at the time of booking. Fee is payable immediately from the money's taken at time of booking; of if the person has no funds on possession, then jail can notify the court and assess the fee.
- Medical Reimbursements (RCW 70.48.130(4 & 5)). As part of the booking process, information concerning the inmate's ability to pay for medical care must be identified. If the inmate has insurance or has the ability to pay, the jail may obtain reimbursement. Consider reviewing the jail's policy on recovering medical costs and determine if the policy is being followed.
- Kitchen (Food) Inventory. Many jails contract with private vendors for the supervision of food preparation and/or purchasing of food for inmates and staff. Auditors should evaluate these contracts and consider testing invoices for both contract compliance *and* supporting documentation.

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- Inmate Property in Custody. All personal property, whether confiscated, in the possession of the inmate or maintained by the institution should be inventoried, with a continuous log maintained that identifies the property as well as the custodial personnel who have access to the personal property area. At time of release, all personal property should be returned to the inmate.
- Pharmaceutical Inventories. Supplies of medications are kept on-site for the delivery and administration of medications for inmates. If managed by jail personnel, we would expect all medications – especially class II narcotics – be secured (user access, storage, etc) and subject to inventory controls (tracked using software/inventory logs, authorization, wasting/disposal, annual audits, etc). Risks include both theft and misuse of drug inventories by personnel as well as invalid purchases that are subsequently diverted. However some jail facilities have elected to contract with a third party vendor to receive, inventory, and distribute medications to inmates. Consider reviewing the contract/agreement to verify each parties rights and responsibilities regarding the safeguarding and security over these items.

Due to the County/County Jail being so small (only ~4,000 citizens / 11 cells respectively), and the revenue trend also being very low (under \$20,000), the County Jail appears to be a low risk area. We will pass on further review.

Police/Sheriff (we last reviewed Sheriff Citations in 2014 resulting in an exit item. We last reviewed Sheriff Investigative Funds in 2014 resulting in an exit item. We last reviewed Sheriff Property Room in 2016 resulting in an exit item.)

- Confidential Funds ("investigative" or "drug-buy"). Law enforcement agencies normally maintain "confidential funds" (also known as "investigative funds" or "drug-buy funds") for use in undercover operations. Purchases are often of a high risk nature and support is confidential, creating a challenge for effective oversight. The Sheriff's department investigative fund is \$1,904. **This was an audit issue in FY14. Potential risk of unsupported purchases due to confidentiality factor.**
- Seized Property Reporting. Law enforcement agencies have the statutory authority to seize property associated with illegal activities. Seized and forfeited property needs to be reported to the state along with a remittance of a portion of the proceeds. Poor controls or documentation increases the risk of inaccurate or incomplete reporting and remittance to the State. The County reported \$0 in Confiscated and Forfeited Property (account 3693000) in FY2017. The last reported amount was \$16 in 2013. **Potential risk that the County is not reporting seized property associated with illegal activity.**
- Citations. Citations are the source documents for court billing and receipting and are subject to specific statutory requirements related to recordkeeping, timeliness of filing, and monthly audits. When requirements are not followed, it can lead to lost revenue or create control problems for court billing and receipting. We reviewed amounts reported in accounts 352-356 (fines and penalties) and noted a total of \$30,778 in 2017 which is a 14% (\$5,082) decrease from 2016. **This was an audit issue in FY14. Potential risk that filing requirements are still not being met.**
- Safeguarding of Property held in Custody. Law enforcement agencies have custody of valuable property held as either: evidence, found or seized/forfeited. Statewide experience has indicated that this property is high risk for misappropriation, especially when there are inadequate controls to record, track, assign accountability and verify the disposition of these items. When auditing evidence rooms, audit effort should be focused on items at risk of theft, such as money, jewelry, weapons, and drugs. **This was an audit issue**

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in FY16. The County switched to a new system (New World) resulting in lost property documentation. Potential risk that property is not adequately recorded, tracked, and disposed.

- Local Receipting. Inaccurate and/or unsupported billings and collection. Revenues may be collected in-house or through a third-party receipting vendor. Auditors should evaluate cash receipting performed by agencies and consider testing as appropriate. We reviewed the Court (JIS) Cash Receipt Summary Report available in FAP and noted \$148,666 was receipted in 2017 to District Court. Amounts reported in 2016 were \$450,320 and included both District and Superior Courts (70% decrease). We queried Courts in FAP and looked at all Revenue trends including "courts". All trends appeared reasonable. The sudden decrease in funds receipted appears to be due to a PY typo. This appears to be a low risk area.
- Misappropriation - this risk is much higher when there are not adequate cash receipting controls.
- Small and Attractive Assets. LEAs often maintain small and attractive assets, such as firearms, safety equipment, cameras, cell phones, GPS units, radios, and laptops. These items should be tracked and monitored to ensure resources are properly accounted for and used for valid public purposes. It does not appear that this area has been reviewed in the last 8 years. Due to the size of the County, this is most likely a low risk area.
- Interlocal Agreements. While the cost or value of police services can be difficult to determine, SAO has noted issues in the past with counties trying to entice cities to contract with them by offering terms that clearly understate the cost to the county or overstate the value of assets transferred from the city to the county as part of the deal. During our review of the minutes (Columbia County Minutes Review), we identified one interlocal agreement between City of Dayton and Columbia County for Code Enforcement Services. However, the amount is not material to the FS (\$9,555). We will pass on further review.
- Disposition Methods for Unclaimed or Forfeited Property: Forfeited or unclaimed property may be destroyed (if it has no value or is illegal to possess), returned to owner, traded-in, sold, donated, or retained for departmental use. **Per T. Quigg from the Sheriff's Dept, the County has disposed of many items from the property room in 2017 Potential risk that proper disposition methods were not followed and/or approval for disposition was not acquired or retained.**
- Seizure and Forfeiture Reporting. If items have been seized and subsequently forfeited, the law enforcement agency becomes the legal owner of the property. However, the department must report all forfeitures to the State Treasurer each calendar quarter and remit a portion of the value of forfeited property to the State Treasurer by January 31st of each year. The County reported \$0 in Confiscated and Forfeited Property (account 3693000) in FY2017. The last reported amount was \$16 in 2013. The County has also disposed of many bicycles and firearms recently. **Potential risk that the County is not reporting forfeited property.**
- Procurement for undercover vehicles. There is a risk that proper procurement processes were not followed.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: FS & SA Audits Performed by Others

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Prepared By: MDR, 6/28/2018

Reviewed By: DHO, 7/2/2018

Record of Work Done:

We noted the following information relevant to the accountability audit:

Financial Statement Audits:

We identified no financial statement audit work performed by an external auditor.

Single Audits:

We identified no single audit work performed by an external auditor.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Other Engagements & FAWF

Prepared By: MDR, 7/19/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done:

We noted the following information relevant to the accountability audit:

Future Audit Work File items:

Since the conclusion of the last audit, we monitored for any potentially relevant media reports, correspondence and observations from other audits and statewide activities. We reviewed the FAWF for items relevant to the accountability audit and noted the following accountability specific risks: (2016 FAWF)

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- Sharon Richter, County Auditor and Audrey McLean, County Treasurer will be retiring at the end of 2018. As this is at the end of FY18, we will add this to the 2017 FAWF for review in the next audit. FAWF
- New Accounting System - The County is implementing a new accounting system in Jan 2017 by Tyler Technologies called InCode. All major accounting systems and processes will be effected including general disbursements, payroll, cash receipting, financial statement preparation etc. The County ended up switching accounting systems in 2018 rather than 2017. We will add this to the 2017 FAWF for review in the next audit. FAWF
- ER&R - The County received an exit item during the prior audit for lack of review and adequate documentation regarding overhead rates for ER&R. Additionally, during inquiry a Commissioner voiced his concern over current ER&R charges. Further, the County approved new ER&R rates for 2016. During our analysis of vendor payments, we noted that total payments to ER&R increased 18% from 2015 to 2016. The risk exists that cost allocation rates may not be fair and equitable. Additionally, ER&R rental rates and processes may result in unallowable shifting of restricted resources (one fund benefiting another, as prohibited by RCW 42.09.210). **Because we cannot review the vendor trend for FY17 due to lack of documentation, the ER&R payments are a high risk area. Potential risk that unallowable payments occurred for ER&R. Potential risk that ER&R rates are not fair or equitable.**
- During the Entrance Conference held on 8/2/2017 we were informed that the County hired Forensic Accountant, Tom Sawatski in 2017 to perform an independent review and analysis of ER&R rates. As a result we will FAWF this item to avoid duplicating efforts/work performed by others. **During our inquiry with Sharon Richter, Auditor, we were not informed of this independent review of ER&R rates. Potential risk that ER&R review resulted in unfair or inequitable rates. We obtained the draft report here (FW ERR Rate Assessment).**
- Property Room - The Sheriff's Department converted evidence tracking software from Spillman to New World in 2016. Between July 2016 and Jan 2017, items tracked in Spillman were not updated as returned/destroyed due to the data migration. Additionally, regularly scheduled internal audits have not been conducted by the Department. The last audit was performed in 2015. When converting to new software, an entity should ensure the accuracy and completeness of data transferred to the new system, that the new software is working correctly and that user accounts and security settings in the new system are appropriate. The risk exists that Spillman data converted to New World may not be accurate and complete and/or a physical audit may not be performed timely to detect discrepancies between Spillman and New World data. (See prior audit issue below)
- Procurement – Professional Services – During our review of minutes on August 27, 2017 we noted that the BOCC approved by motion the Behavioral Services Agreement with Blue Mountain Counseling for the Columbia County Human Services delivery for 7/1/2017-6/30/2018. The County has received two management letters and an exit item related to the procurement of the BMC contract which the County claims is sole source but lacks documentation justifying the sole source determination. The risk exists the

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renewed contract was not procured in accordance with RCW 39.04.280(1)(a) for bidding exemptions and does not meet federal procurement requirements. (See prior audit issue below)

Prior Accountability Audit Exceptions:

We reviewed the last accountability audit evaluated prior audit issues as documented in Prior Audit Issue Review and noted the following:

- Procurement - Professional Services - ML
 - The County has continually not followed procurement standards for a vendor offering professional mental health services. Recommendations were issued in prior years, so in FY16 the recommendation was raised to a Management Letter. We followed up with Merle Johnson, Commissioner on this issue, and he stated that per RCW 39.04.280 the County is within their right to not go out for competitive bids. He also stated that they would be creating a Resolution (with Port Townsend as an example) for the agreement with Blue Mountain Counseling. The risk is that the County still has not created a Resolution for Blue Mountain Counseling to be the provider for Mental Health Services without bid. Because the County still does not have a Resolution in place for their Sole Source Procurement Exception, we will issue a recommendation. Finding - Sole Source Procurement Resolution FinalLOR Summary
- Property Room - e
 - The County switched to a property tracking system (Spillman) in 2016, and property records were lost between July 2016 and January 2017. Internal audits of the property room have not occurred since 2015. We spoke with T. Quigg from the Sheriff's Office, who explained that the property room has undergone multiple internal "mini" audits to determine whether the items can be disposed of, as well as ensuring that documentation is accurate. Per T. Quigg, the Sheriff's Dept is getting ready to do an internal audit in 2018 when the Sheriff retires and a new one comes on. **Potential risk that records in the Property Room are not accurate and that proper documentation was not retained for disposals.**
 - Fair - Cash Receipting - e
 - Fair Workers were not properly tracking or reconciling amounts that were owed to the County for fair entrance. We spoke with Sharon Richter, Auditor who stated that their office has worked with the fairgrounds to ensure proper cash receipting practices, specifically with deposit slips. Potential risk that the fairgrounds have failed to maintain proper cash receipting practices. As the County's last issue with Fairgrounds Cash Receipting was an exit item due to minimal variances, and considering that prior issues identified were Findings, we will pass on further review. However, we will issue a recommendation regarding policies as a best practice. E - County PoliciesLOR Summary
- Bonus Payments - e
 - The County decided to give a half day off on December 24, 2015 without proper resolutions or policies being in place. We spoke with Merle Johnson, Commissioner regarding this issue and he stated that the County Attorney advised them that their

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actions were allowable. The County has also changed their policy to support such payments. The BoCC has not been able to provide a copy of the new policy. We will issue a recommendation. [E - County Policies LOR Summary](#)

- Procurement - Written Policy - e
 - The County does not have a written policy on procurement procedures or conflicts of interest. We spoke with Lisa Ronnberg from Public Works, and she stated that they have since recommended a policy to the County Attorney regarding procurement, which is scheduled to be approved in 2018. We obtained the proposed policy ([Procurement Policy Draft - 070318](#)) and noted that it went over procurement procedures and also covered conflicts of interest. As this policy is not yet in effect, we will issue a recommendation. [E - Federal Procurement Policies LOR Summary](#)
 - Citations - e
 - The County was not filing citations with the Court in a timely manner. We spoke with T. Quigg from the Sheriff's Department and he stated that the County has switched all but one deputy, who is in process of switching, to their new automated system (New World). This eliminates delays in citations. Potential risk that deputies have not successfully been switched over to Sector and that citations have continued to not be filed with the Court in a timely manner. We asked to see the monthly audit reports from New World, and were told that the reports could be generated for us. Audit Reports should be retained for review, not generated as needed. We will issue a recommendation. [E - Citations - Document Retention](#)
- Gifting of Public Funds - e
 - The County waived fees for use of the youth building 3 times, though there is no policy describing situations in which it is reasonable/allowable to do so. We spoke with Merle Johnson, Commissioner regarding this issue and he stated that the County has updated their policy regarding the waiving of rental fees. The BoCC has not been able to provide a copy of the new policy. We will issue a recommendation. [E - County Policies LOR Summary](#)

Citizen Hotline:

We checked EIS for any relevant citizen hotline referrals and noted no risk indicators.

Fraud / Loss Reports:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. We checked EIS for any relevant loss reports or investigations and noted no risk indicators

Financial and Single Audit:

The government does receive a financial audit. We reviewed the most recent financial audit. No accountability specific risks identified, other than the risks noted above.

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The government does receive a single audit. We reviewed the most recent federal audit. No accountability specific risks identified.

Internal Audits:

We identified no relevant internal audit function.

Other Engagements:

We inquired with Sharon Richter on July 3, 2018 regarding other audits or engagements that may be relevant to the accountability audit and noted that none were identified other than the ER&R Rate Review noted above.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Minutes
Prepared By: MDR, 7/12/2018
Reviewed By: GLW, 7/17/2018

Record of Work Done:

We reviewed the minutes at [Columbia County Minutes Review](#). We noted the following potential risks:

- Pre-separation meeting held to discuss the Board's decision to separate employment with Brad Gallardo. **Potential risk of employment separation due to incompetency/errors, misappropriation of assets, other HR issues, etc.**
- Approval to allow Don Foley to be eligible for the Emergency Leave Bank (request by Sheriff Rocky Miller). **Potential risk that Emergency Leave Bank eligibility was not allowable per County policy.**
- Approval of request from the Blue Mountain Heritage Society to waive the fees for the Youth Building for a community event. **Potential risk that waiving of rental fees was not allowable per County policy and a gifting of public resources.**
- Bids received for the 2017 Emulsified Asphalt Contract: Idaho Asphalt Supply Inc from Hauser ID for \$163,374 and Western States Asphalt from Spokane WA for \$147,625. Referred bids to Engineer for analysis and recommendation. Authorization for Chair to sign. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Bids received for the 2017 Plant Mix Contract: Poe Asphalt from Clarkston WA for \$150,000; Central WA Asphalt from MF OR for \$147,375; Humbert Asphalt Inc from MF OR for \$149,750. Referred bids to Engineer for analysis and recommendation. Authorization for Chair to sign. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**

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- Bid was missed when 2017 Emulsified Asphalt Contracts were presented and accepted previously. Lowest bidder was Albina Asphalt, to whom the bid was awarded. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Bids received for the 2017 Chemical Bid: Crop Production Services from Boise ID and Wilbur Ellis from WW WA. Referred to the Engineer for analysis and recommendation. Authorization of Chair to sign. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Bids received for the 2017 Pavement Markings Contract: Stripe Rite Inc from Kennewick WA for \$53,807.82; Stripeco from Clarkston WA for \$55,859.23; Apply-A-Line from Pacific WA for \$64,422.60; Road Products Inc from Spokane WA for \$65,485.14; Specialized Pavement Markings from Tualatin OR for \$63,953.08; LJ Hilton Inc from Tumwater WA for \$58,800.00; Hicks from Brooks OR for \$73,688.48. Referred to the Engineer for analysis and recommendation. Authorization the Chair to sign. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Bids received for the 2017 Road Stabilization Contract: Roadwise Inc from Spokane WA \$53,511.41 and Envirotech Services from Greeley CO for \$43,189.20. Referred to the Engineer for analysis and recommendation. AuhtORIZATION of Chair to sign. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Movement to offer a \$50 wellness incentive to employees participate and complete the County Wellness Incentive Program. **Potential risk that employees received the incentive without completing the County Wellness Program.**
- Bids received for the newspaper of record contract: The Times from Waitsburg WA for \$4.95 per single column inch and Dayton Chronicle from Dayton WA for \$7.36 per single column inch. Deferred awarding the bid to May 1 to review the bids. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Waive of Youth Building Fees for the American Red Cross Blood Drive on April 27. **Potential risk that waiving of rental fees was not allowable per County policy and a gifting of public resources.**
- Bid awarded to The Times from Waitsburg WA for the Newspaper of Record for a period of 1 year beginning July 1, 2017 and ending June 30, 2018. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Lisa Caldwell addressed issues with payroll and timesheets in her department. **Potential risk that timesheet policies/procedures were not being followed.**
- AuhtORIZATION of waiver of golf course fees for the Wellness Program Golf Fun Night on June 27. **Potential risk that waiving of rental fees was not allowable per County policy and a gifting of public resources.**
- Bid awarded to Barker Inc from Dayton WA for the Tucannon Road Project. **Potential risk that procurement/bidding requirements were not followed/met appropriately.**
- Adoption of Resolution 2017-09 for surplus property (traffic counters). **Potential risk that property was not deemed as surplus per County policy.**
- Adoption of Resolution 2017-10 for surplus property (brush mowers). **Potential risk that property was not deemed as surplus per County policy.**
- Meagan Bailey (Planning/Building Dept) applied for the Valerie Savinski Grant (\$2,000) for improvements to the white barn at the fairgrounds. **Potential risk that, if awarded, the use of restricted funds would be for unallowable purposes.**

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- Approval of the request from Friends of the Fairgrounds to waive the fees for the youth building and arena for fundraising events to be held. **Potential risk that waiving of rental fees was not allowable per County policy and a gifting of public resources.**
- Separation of employment with Greg Abramson effective immediately. **Potential risk of employment separation due to incompetency/errors, misappropriation of assets, other HR issues, etc.** **Planning Department, Building Inspector. Must speak to Prosecutor for rationale.**
- Authorization of \$10,000 of the affordable housing homelessness funds for Project Timothy. **Potential risk that restricted funds are not being used for allowable purposes.**

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Planning Analytical Procedures

Prepared By: MDR, 7/12/2018

Reviewed By: DHO, 7/13/2018

Record of Work Done:

We performed the following analytical procedures to identify risk:

- Trend analysis of revenues and expenditures [Rev-Exp Trend]
 - Both revenues and expenditures increased by approximately \$29M, with expenditures increasing approximately \$400K more than revenues. This increase was due to the County now being required to report resources collected and held for special purpose districts in a custodial capacity. We noted no accountability-specific concerns.
- Trend analysis of total payments by vendor [2017 Vendor Trend]
- The County is unable to provide us with a complete digital list of expenditures by vendor for 2017. They can only provide totals for vendors with names beginning with A-C. Sharon Richter, Auditor is able to provide a hard copy of all vendor expenditures that she says is the complete list. It is 12 pages long with approximately 37 vendors per page. We are concerned that Sharon is unable to run the report, and we have no way of knowing if the list she provided is complete (several vendors and amounts are crossed off in pencil). **Potential risk that the County is paying invalid vendors or hiding invalid transactions.**

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- This area was last reviewed in FY16 with no issues noted.
- We confirmed with Sharon Richter that the County has credit cards (since approximately 2004, though in previous audits it was thought there were none). Around 20% of employees at the County have a credit card. **Potential risk of inappropriate use of credit cards, inadequate credit card policy, or unallowable expenditures.**
- Trend analysis of total payroll by employee [2017 Payroll Trend]
 - We noted that total payroll decreased 6% from 2016 to 2017. We highlighted employees with an annual increase greater than 30% and followed up with Cathy Abel to determine the reason for the significant increase. We noted that the majority of employees with the largest increases were due to being hired mid year in 2016, which would account for the significant increase in 2017, or employees who went from part time to full time. Additionally, Payroll was last reviewed in 2016 which resulted in an exit item for bonus payments with no policy. **We identified 21 new employees hired in 2017. There is a risk these employees are not valid.** No other issues were noted. Based on our analysis, we did not identify any red flags to address. We will pass on further review.
 - **We noted that for one employee, our PY vendor trend was off for 2016 (was \$27,215.91; should be \$36,213.19) and 2015 (was \$33,650.19; should be 31,901.25) because it only included pay for one department he worked in. Verified payroll amounts with W-2 for 2015, 2016, and 2017. The risk is there may be other employees whose payment information is not correct via the support provided to us.**

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Risk Assessment Inquiry

Prepared By: MDR, 7/5/2018

Reviewed By: DHO, 7/9/2018

Record of Work Done:

We performed risk assessment inquiries with the following individuals at Risk Assessment Inquiry Questions:

Sharon Richter, Auditor

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Merle Johnson, Comissioner

We noted no accountability-specific risks from this inquiry relating to the 2017 audit. During our risk assessment inquiry with the Commissioner, he indicated the Auditor and Treasurer converted to a new software system in 2018. This does not affect our 2017 audit, however we will place this in our FAWF (FAWF).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Brainstorm

Prepared By: MDR, 7/18/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done.:

Brainstorm

Date: 7/1/18

How: discussion among key members of the engagement team via in-person meeting.

Attendees: Megan Rexin, Debbie O'Leary, Ginny Waltman

We discussed accountability risks identified in previous planning steps to determine priorities for areas to audit.

Subject Matter Discussed (as detailed in testing strategy):

- Our understanding of the entity
- Audits performed by others
- Results of planning steps, including:
 - All red flags identified in other planning steps
 - Results of analytical procedures
 - Other information and experience with the entity
- Audit responses to risks
- Importance of maintaining a questioning mind and exercising professional skepticism

Decisions Reached:

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Overall risk and responses are documented in the AC Audit Plan [Accountability Audit Plan](#).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Audit Plan
Prepared By: MDR, 7/18/2018
Reviewed By: DHO, 7/26/2018

Record of Work Done:

Overall Accountability Risk and Planned Audit Areas

We assessed the overall risk and identified risks to be addressed in the accountability audit as documented in the attached Accountability Audit Plan spreadsheet [Accountability Audit Plan](#).

Staffing & Budget

Staffing - The auditor in charge, supervisor and all assistants are listed in the Team tab of the Profile. We have planned the audit staffing to ensure that all staff are adequately supervised.

We considered whether specialized skills are needed in performing the audit and determined that assigned personnel are independent and collectively have the technical knowledge, skills and experience necessary to perform the audit.

Reliance on work of others - We considered the potential for reliance on other SAO audits or the work of external auditors or internal auditors. We **do not** plan to rely on other SAO audits or work of others.

Budget - We updated the budget for this audit number in TABS and developed a detailed audit budget as documented in [Columbia County Audit Budget](#).

B.1.PRG - Accountability Planning - Local Govt

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Procedure Step: AC Entrance Conference
Prepared By: MDR, 8/6/2018
Reviewed By: DHO, 8/6/2018

Record of Work Done.†

Invitations:

We invited officials to the Entrance Conference via email (see at [Entrance Conference Confirmation](#)).

Entrance Conference:

The entrance conference handout is documented at [Entrance Conference](#). The following people attended the official entrance conference, held in accordance with Audit Policy 2210:

- Norm Passmore, Chairman of BoCC
- Michael Talbott, Commissioner
- Merle Jackson, Commissioner
- Sharon Richter, Auditor
- Anne Higgins, Accounting Staff
- Audrey McLean, Treasurer
- Megan Rexin, Audit Lead
- Debbie O'Leary, Asssistant Audit Manager

In addition to the topics shown on the entrance conference handout, the following items were also discussed:

- Investment Trust Funds: addressed during financial planning at [BARS Cash Basis Planning](#).

B.2.PRG - BARS Cash Basis Planning

Columbia County

Procedure Step: Engagement Letter

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/2/2018

Record of Work Done:

We developed an engagement letter using our template ([Engagement Letter - Local Govt](#)) and considering the scope and factors affecting the audit.

Please see Engagement Letter planning step at [Engagement Letter](#) for complete details.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: Obtain Draft Statements from LGCS

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/3/2018

Record of Work Done:

To obtain final draft financial statements, auditors are **required** to perform the following procedures:

- Check the Data tab of EIS to determine whether the annual report was filed by the statutory deadline. If the government has not yet filed, request they do so to meet requirements of RCW 43.09.230 and in order to ensure the most efficient, effective audit process.

We checked the Data tab of EIS and determined that the annual report was filed by the statutory deadline of 5/30/18. The report was submitted on 5/30/18.

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- If the government has filed, confirm that statements, schedules and notes in the annual report are the final official versions for reporting purposes. If not, request that the government update the annual report so we can use the statements, schedules and notes from it for audit. **After confirming with the government, auditors should use the statements and schedules in LGCS.**

The County uses the online reporting method. We confirmed with Sharon Richter, Auditor, that statements, schedules and notes in the annual report are the final official versions for reporting purposes and will be used for our financial statement audit.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: Understanding Entity & Environment

Prepared By: MDR, 7/18/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done.*

Procedures Performed to Update Understanding

To gain an understanding of the government's operations, environment and entity-wide COSO elements, we performed the following procedures:

- Reviewed planning guide:
 - Counties General
- General inquiries and discussion with the audit liaison
- General observation and inspection while working on site
- Gained an understanding of the government's operations and environment, including identification of the reporting entity, key operational information and significant accounting practices. Our understanding is documented in the Permanent File section of the audit.
- BARS Cash Basis
- Gained an understanding of internal control components (based on the COSO framework) for the government as a whole. Our understanding is documented in the Permanent File section of the audit.
 - BARS Cash Basis
- Identified and evaluated key software applications in the Permanent File section of the audit.

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- Key Software Applications - Local Govt
- Reviewed and updated government profile information in EIS.

Significant Events, Changes and Issues Noted:

No significant events or changes noted for the year.

Risks Identified from Planning Guide:

- Restricted Funds consist of 1) Overhead Costs, 2) Internal Service Funds (Inequitable Billing and Unallowable Disbursements), 3) County Road Fund, 4) Building Permit Fees, and 5) Interfund Loans and Transfers. **The risk is that these funds are being used inappropriately.**
 - **1. Overhead Costs;** process may not be guided by an overhead cost allocation plan that allocates costs reasonably and equitably across funds and departments or supported by adequate documentation. The County received an exit item during the FY14 audit for lack of review and adequate documentation regarding overhead rates for ER&R. Additionally, the County hired a Forensic Accountant in 2017 to perform an independent review of ER&R rates. **The County approved new ER&R rates for 2016. We noted from the FY16 audit that total payments to ER&R increased 18% from 2015 to 2016. The ER&R fund received \$216,860 in charges for services and \$1,011,196 in Miscellaneous Revenue in 2017. The risk exists that cost allocation rates may not be fair and equitable. Additionally, ER&R rental rates and processes may result in unallowable shifting of restricted resources (one fund benefiting another, as prohibited by RCW 42.09.210).**
 - **2. Internal service funds;** The County currently has four internal service funds: ER&R, Risk Pool Fund, IT/Server Maintenance Fund, and Unemployment Fund.

Inequitable billing: There is a risk that charges to participating funds are not equitable and fair. Costs should be charged in proportion to the level of benefit provided to each fund or department. Total Charges for Goods and Services for all internal service funds was \$419,546 in 2016 and \$414,426 in 2017, of which 52% was received by ER&R. Total internal service fund CGS represents 31% of CGS for all funds in 2016 and 28% of CGS for all funds in 2017. We have identified ER&R as a separate accountability risk which we will bring to the brainstorm.

Unallowable disbursements: There is also a risk that expenditures could be charged to these funds that do not relate to the program or services being provided. Total expenditures (operating & non operating) for all internal service funds totaled \$2,047,494 or 13% in 2016 and \$1,017,519 or 10% in 2017 respectively. Based on our review, we do not consider this risk to be significant. Will pass further review.

- **3. County Road funds** - This fund can have significant reserves and there can be a risk of funds being diverted to other purposes either through accounts payable and payroll transactions, or transfers out. The County Road Fund (101) had no

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reserved beginning or ending cash and investments for both 2016 and 2017. Transfers out of this fund were \$15,000 in 2016 and \$20,000 in 2017. Based on our review, we do not consider this risk to be significant. Will pass further review.

- **4. Building permit fees** - Fees collected to fund future costs may not be identified as restricted. Funds may not be spent for their intended purpose. The County collected \$42,850 and \$35,973 in revenue from building and land use permit fees in 2016 and 2017 respectively (account 322.10.00). Revenue is coded to Planners Special Assessment Fund (138), which is a Restricted Fund.
- **5. Interfund loans and transfers** - These funds should be repaid within three years, otherwise they may be considered a permanent diversion of funds. We reviewed the notes to the financial statements (2016 and 2017) and noted Note 5 included interfund loan activity. We noted all previous balances as of 1/1/2016 were repaid during 2016. This included new loans made during 2015. As of 12/31/2016 the County had two interfund loan balances for which the loan was made in 2016. We noted that of the two 1/1/2017 interfund loan balances, only one was repaid during 2017 (Solid Waste borrowing from County Road). The other loan (Solid Waste borrowing from ER&R) was not repaid. There was also one new loan in 2017 (County Road borrowing from ER&R). There were two interfund loan balances as of 12/31/2017. Based on our review, we do not consider this risk to be significant. Will pass further review.
- County Fairgrounds. We reviewed the Notes to the FS and found that there were no interfund loans to County Fairgrounds.
- County Road Levy Diversion and Allowable Uses. Not applicable (less than 8,000 citizens).
- County Administered External Investment Pools. We noted that the County had an investment pool with \$32M in additions and \$34M in deductions. Risk that the County may be improperly reporting an external investment pool on the fiduciary statements and not disclosing the appropriate required notes and disclosures of the pool. We reviewed this item at County Required Risk - Fiduciary Funds - External Investment Pool (as dictated by the planning guide) and found that the County mislabeled their "Fiduciary Fund Resources and Uses Arising from Cash Transactions" statement with "agency funds" instead of "investment trust funds". We will address this issue during Presentation and Disclosure. Further, it appears that the amounts were also recorded within Court Remittances and Agency Remittances within the accounting system, which is not allowable as these funds are not the County's funds. **Risk of material misstatement on the FS.**
- Awarding Bids through Purchase Cooperatives. Purchase requirements not being met due to piggybacking/interlocal agreements where the original entity does not meet the piggybacking entity's purchase requirements. We found in our Minutes review that the County has interlocal agreements with Columbia County Public Health (\$1,220), City of Dayton (\$51,642), Columbia County Public Transportation (\$150), Garfield County (\$4,172), and King County (\$2897.52). None of these amounts are material to the FS, so we will pass on further review.
- GL Reconciliation. The period-end financial reporting process (which includes all steps associated with converting the general ledger or other source accounting records into the financial statements) can be an area of risk at Counties due to the coordination needed between the County Auditor, County Treasurer and other departments, such as public works. If multiple general ledgers are used (for example, the auditor's GL and treasurer's GL), these ledgers should be reconciled. **Potential risk that Auditor and Treasurer records were not reconciled.**

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B.2.PRG - BARS Cash Basis Planning

Procedure Step: FS Audits Performed by Others
Prepared By: MDR, 6/28/2018
Reviewed By: DHO, 7/2/2018

Record of Work Done.:

We noted the following information relevant to the financial statement audit:

Financial Statement Audits:

We identified no financial statement audit work performed by an external auditor.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: Other Engagements & FAWF
Prepared By: MDR, 7/5/2018
Reviewed By: DHO, 7/5/2018

Record of Work Done.:

Future Audit Work File items:

Since the conclusion of the last audit, we monitored media reports, correspondence and observations from other audits and statewide activities for any potentially relevant information. We reviewed the FAWF for items relevant to the financial audit and noted the following:

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- New note disclosure required regarding Alignment of Fiduciary Funds with GAAP. We reviewed the C-5 and found that it included the required note disclosure. We will pass on further review.

Prior Financial Audit Exceptions and Uncorrected Misstatements:

We reviewed the last financial statement audit and prior audit issues ([Prior Audit Issue Review](#)), and noted the following:

Cash Reconciliation - exit

- Variances in revenues (\$-1,698,147), expenditures (\$-917,249, and cash & investments (\$-90,439). **We will follow up on this during our cash reconciliation ([Baseline Testing](#))**

No uncorrected misstatements noted.

Group Audits:

We identified no component auditors.

Accountability and Single Audits:

Our office performs regular accountability audits for compliance with state law and local policies, safeguarding of resources and controls over these matters. This work provides risk assessment information about the likelihood and magnitude of such risks as they may affect financial reporting. We reviewed the last accountability audit and noted no risk indicators.

The government receives a single audit. No indicators from our prior year (FY15) single audit that might affect the financial audit were identified.

Citizen Hotline:

We checked EIS for any relevant citizen hotline referrals and noted no risk indicators

Fraud / Loss Reports:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. We checked EIS for any relevant loss reports or investigations and noted no risk indicators.

Internal Audits:

We identified no relevant internal audit function.

Other Engagements:

We inquired with Sharon Richter, Auditor on July 3, 2018 regarding other audits or engagements that may be relevant to the financial audit and noted there were none.

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B.2.PRG - BARS Cash Basis Planning

Procedure Step: Minutes
Prepared By: MDR, 7/18/2018
Reviewed By: DHO, 7/26/2018

Record of Work Done:

We reviewed the minutes at [Columbia County Minutes Review](#). We noted the following potential risks:

- Movement to offer a \$50 wellness incentive to employees participate and complete the County Wellness Incentive Program. Potential risk that wellness incentives were not properly calculated/applied to payroll, and thus, payroll was overstated. Due to the number of employees at the County, the result of any overstatement would not be material to the FS. We will pass on further review.
- Adoption of Resolution 2017-09 for surplus property (traffic counters). Potential risk that revenues from sale of surplus property are not classified correctly. We reviewed reported revenue from surplus property and found that it was not material to the FS. We will pass on further review.
- Adoption of Resolution 2017-10 for surplus property (brush mowers). **Potential risk that revenues from sale of surplus property are not classified correctly.** We reviewed reported revenue from surplus property and found that it was not material to the FS. We will pass on further review.
- Adoption of Resolution 2017-24 in the matter of an interfund loan between ER&R and County Road for \$50,000. Potential risk that the interfund loan is not accounted for correctly on FS. We found that this loan was identified in the Notes to the FS. We will pass on further review.
- Approval of memo from Meagan Bailey as interim Planning Director with compensation provided in the amount of a \$500 per month management stipend and paid overtime, not to exceed 10 hours per pay period. Potential risk that interim payroll changes were not calculated/applied accurately, and thus, may be overstated. We will be reviewing this area in our Accountability Audit.
- Emergency Mgmt Budget for 2017 is currently short by \$10,000. **Potential risk of unallowable/misclassified expenditures.**

B.2.PRG - BARS Cash Basis Planning

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Procedure Step: Material Compliance Requirements

Prepared By: MDR, 7/18/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done:

Compliance Requirements:

We gained a general understanding of the government's legal and regulatory framework and considered whether any significant requirements had a direct effect on financial statement amounts or disclosures through:

- Review of the planning guide
- Updating our understanding of special compliance requirements in the permanent file at [[Entity Operations - BARS Cash Basis](#)]
- During our review of the financial statements, we noted no new significant GO bonds. We did note an increase in Pension Liabilities (non-GO liability) in the amount of \$2,147,076 (material to FS).
- The County has one Federal grant that exceeds 10% of total federal expenditures, which is the Highway Planning and Construction Grant (specifically LA - 9043). We are reviewing this grant in our Single Audit (see at [Highway Planning and Construction Grant](#)).
- The County has one State grant that exceed 10% of total expenditures, which was the Rural Arterial Program (RAP) (\$1,160,711 total). State grants were reviewed in FY16 with no issues noted. We will review State Grants at [State Grants](#).

Oversight Agencies:

We identified the following licensing, regulatory, contracting or granting agencies with the ability to impose potentially material penalties or otherwise play a fundamental role in the entity's operations or ability to continue

- Department of Revenue- No Department of Revenue audits or reviews were conducted during our audit period.
- Department of Licensing- No Department of Licensing audits or reviews were conducted during our audit period.

Compliance Violations:

We reviewed for potential violations by performing the following procedures:

- We contacted the oversight agencies (Christine Marchesano from DOR [DOR - Marchesano, Christine](#); at DOL) listed above to confirm that they have no compliance concerns with Columbia County. No issues noted.
- We inquired about potential noncompliance and risks of noncompliance as documented in the Risk Assessment Inquiry step.
- We considered results of the most recent audits in the Other Engagements & FAWF step.

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- We inquired about any applicable litigation as documented at [Litigation, Claims & Assessments](#).

We will remain alert throughout the audit for compliance violations that may have a financial statement effect. In the FS Summary & Report step at the conclusion of the audit, we will re-consider any work done on other SAO engagements for any compliance violations with a financial statement effect.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: Planning Analytical Procedures

Prepared By: MDR, 8/6/2018

Reviewed By: DHO, 8/6/2018

Record of Work Done:

- Trend financial information and read note disclosures to identify unusual or unexpected line items, balances or relationships.
- Trend analysis of revenues and expenditures [[Rev-Exp Trend](#)]
 - Both revenues and expenditures increased by approximately \$29M, with expenditures increasing approximately \$400K more than revenues. We noted that the increases were specifically in "Fund 06 account 38 Other Increases in Fund Resources" and in "Fund 06 Account 58 Other Decreases in Fund Resources". We spoke with Sharon Richter, Auditor, who initially stated that she did not know why the amounts are what they are, and that it must be a typo. **We discuss this issue further here ([FS Brainstorm](#)).** **County Required Risk - Fiduciary Funds - External Investment Pool Risk that revenues and expenditures are not reported correctly.** We will review this area during our Cash Reconciliation. [Cash Flow Reconciliation](#) Further, we found that the amounts were recorded in the Court Remittances and Agency Remittances accounts in the County's accounting system, which is unallowable as the funds do not actually belong to the County. **Risk of material misstatement to the FS.**

Upon further discussion and research of the above issue with Sharon, we discovered that the revenues were coded incorrectly to 386 rather than 389, leaving County revenues misstated by approximately \$30M. The expenditure side appears to be coded correctly via the BARS Manual. We will issue a recommendation. [FS Reporting Misstatement LOR SummaryAggregation of Misstatements \(BARS Cash\)](#)

We also reviewed the LGCS financial condition report at [Financial Intelligence Tool](#). We found that the Enterprise Fund was at risk for self-

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sufficiency, however, the fund has improved by 138% from FY16 to FY17 (151% to 13%). **There is a potential risk the enterprise fund can not meet obligations with fund resources.** We will remain aware of this during the audit.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: Risk Assessment Inquiry
Prepared By: MDR, 7/3/2018
Reviewed By: DHO, 7/3/2018

Record of Work Done.:

We performed risk assessment inquiries with the following individuals at Risk Assessment Inquiry Questions:

Sharon Richter, Auditor
Merle Johnson, Commissioner

We noted no financial-specific risks from this inquiry.

B.2.PRG - BARS Cash Basis Planning

Procedure Step: FS Brainstorm
Prepared By: MDR, 7/18/2018
Reviewed By: DHO, 7/26/2018

Record of Work Done.:

Brainstorm

Date: 7/17/18

How: discussion among key members of the engagement team via in-person meeting.

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Attendees: Megan Rexin, Debbie O'Leary, and Ginny Waltman

Subject Matter Discussed (as detailed in testing strategy):

- Our understanding of the entity, including:
 - Application of financial reporting framework to the government's facts and circumstances
 - Accounting estimates
 - Related party relationships and transactions
 - Unusual accounting policies or procedures
- Results of planning steps, including:
 - All red flags identified in other planning steps
 - Results of analytical procedures
 - Other information and experience with the entity
- Risk of material misstatement, including:
 - Risk of management override of controls
 - Risk of misstatement due to fraud
 - Risk of misstatement due to noncompliance with laws, regulations, contracts or grants
- Audit responses to risks, including:
 - Materiality, material balances, relevant assertions and planned further audit procedures
 - Significant risks
 - Significant accounting systems
 - Importance of maintaining a questioning mind and exercising professional skepticism

Decisions Reached:

Overall and assertion-level risks and responses are documented in the FS Audit Plan. As reflected in our plan, we specifically noted:

- No derivatives are reported
- No investment securities are reported using an equity or income approach to determine fair value
- No identified impairment losses or permanent declines in fair value of investments
- No inventory is reported (since government is reporting on a cash basis)
- No segment reporting
- No red flags or significant pressures or incentives to intentionally misstate revenues. We therefore do not consider improper revenue recognition as a risk of material misstatement due to fraud.
- Confirmations are not needed for accounts receivable arising from charges for goods or services because no receivables are reported (since government is reporting on a cash basis).

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B.2.PRG - BARS Cash Basis Planning

Procedure Step: FS Audit Plan
Prepared By: MDR, 8/13/2018
Reviewed By: GLW, 8/16/2018

Record of Work Done.:

OVERALL AUDIT STRATEGY

Scope & Reporting Objectives - Engagement scope and attributes are documented in the TeamMate Profile and have been updated in TABS for this audit number.

The objectives of our audit are based on the reports we plan to issue. We have planned the audit to gain sufficient appropriate audit evidence in support of the reports planned to be issued:

- Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting in Accordance with Government Auditing Standards
- Independent Auditor's Report on Financial Statements

We will obtain reasonable assurance that the financial statements are free of material misstatement - whether due to error, fraud or noncompliance with laws, regulations, contracts, or grants. We will report the following conditions discovered during the course of our audit:

- Significant deficiencies or material weaknesses in internal controls over financial reporting
- Material instances of fraud or noncompliance with laws or regulations and any other instances that warrant the attention of those charged with governance
- Material noncompliance with, contracts or grant agreements
- Material abuse

Standards - We will conduct our audit in accordance with *Government Audit Standards* (GAGAS).

Planning Procedures - We determined that risk assessment procedures (as documented in the "BARS Cash Basis Planning" folder) were sufficient to confirm the characteristics of the engagement, consider factors significant to the engagement, results of pre-engagement and planning procedures and results of other engagements. We are planning and performing the financial statement audit to achieve a low overall audit risk. Audit risk is the risk that any material misstatements are not detected by the audit. The assessed risk of material misstatement (which is a

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combination of inherent and control risk) is addressed by planned further audit procedures designed to achieve a corresponding level of detection risk (a measure of the quality and quantity of audit evidence). These assessments will be re-evaluated during the course of the audit and at the conclusion of the audit.

Financial Reporting Framework - Since financial statements were prepared in accordance with a special purpose framework, we considered the purpose of the financial statements, intended users and management's decision to use the reporting framework. We concluded that the framework was acceptable for the government's purposes.

Determination of further audit procedures - Planning procedures were designed to assess risk for all balances and assertions. Based on our risk assessment, we identified further audit procedures as described below. We determined that no further audit procedures were necessary for other potential risks (beyond overall planning, presentation & disclosure and concluding procedures) in order to limit audit risk to an appropriately low level.

Presentation & Disclosure - In addition, a review of presentation and disclosure will be performed as documented in the "Review Presentation & Disclosure" folder, the extent of which will be based on risk.

Special Planning Methodology - None

Other procedures required by standards - Other procedures required by standards will be performed as documented in the "Concluding Financial Audit Procedures" folder, the extent of which will be based on risk.

MATERIALITY

Materiality and risk of material misstatement are based on planning procedures and are designed to achieve a low overall audit risk. Decisions reflect an **overall assessed risk of material misstatement of HIGH**.

Planning Materiality - Our quantitative materiality threshold is **\$972,343.60**, based on 10% of total expenditures. Qualitative factors are based on auditor judgment after considering the interests of the identified users, preliminary analytical procedures, our knowledge of the entity and its environment, etc. We considered whether separate or lower materiality thresholds should be set for particular elements and determined that further thresholds were not necessary.

Tolerable Misstatement - Our tolerable misstatement threshold is **75%** of materiality. We will reevaluate judgments made in planning and our planned audit procedures if we identify net misstatements exceeding our tolerable misstatement threshold for cash or revenues / expenditure balances.

Aggregation of Misstatements Floor - The floor is documented in the Aggregation of Misstatements worksheet.

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CASH FLOW RECONCILIATION TEST

We plan to reconcile cash activity (beginning balance, revenues, expenditures and ending balance) and bonds or bank statements. This test will cover:

Balance(s): all financial statement amounts

Assertion(s): existence and completeness risks related to the statements not agreeing with actual bank activity.

Inherent Risk: MAX

Significant Accounting System: bank reconciliation

Control Risk: MAX

Risk of Material Misstatement: MAX

ADDITIONAL RISKS IDENTIFIED

The following are risks that require further audit procedures in addition to our Cash Flow Reconciliation step:

Management Override of Controls: Management is in a unique position of control over financial reporting. Since this risk is unpredictable and always present, it must be considered a significant risk.

Balance(s): all

Assertion(s): all

Inherent Risk: MAX

Significant Accounting System: Period End Financial Reporting

Control Risk: MAX

Risk of Material Misstatement: MAX

Planned Testing:

Investment Trust Funds Reported as Agency Funds, large increases in revenues/expenses: We found that the County entered the Special Purpose District Investment Trust Funds into their own accounting system under 386 Court Remittances rather than 389 Custodial Activities. This resulted in a ~\$30M misstatement in the financial statements. This is a material misstatement due to a material weakness in internal control. In our analyticals there was a \$30 M increase in revenues and expenditures. This is significant.

Balance(s): Court Remittances- Overall revenues and expenditures.

Assertion(s): Valuation, Existence

Inherent Risk: MAX

Significant Accounting System: Period End Financial Reporting

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Control Risk: MAX

Risk of Material Misstatement: MAX

Planned Testing: Discuss misstatement with Sharon Richter, Auditor, to determine cause of misstatement and discuss its correction. We will also cover this in our cash reconciliation listed above.

- We updated our understanding of the period end financial reporting process in BARS Cash Basis.
- We will also scan and test year-end adjusting journal entries, including any consolidating entries and off-book adjustments, and consider additional testing of journal entries throughout the period in BARS Cash Basis.
- We will review accounting estimates for biases in BARS Cash Basis.
- We noted **no** red flags or significant pressures or incentives to intentionally misstate revenues. We therefore do not consider improper revenue recognition as a risk of material misstatement due to fraud.
- We noted **no** unusual, unsupported or disputed transactions to test.
- We noted **no** significant related party or other transactions occurring outside the government's normal course of business to test.
- We will remain alert for indications of management override during the course of the audit and will test journal entries for material balances based on risk.

INITIAL TESTING STRATEGIES

We developed initial audit programs as reflected in the folders, steps and testing strategy tabs for financial statement work. Our initial audit programs reflect mainly considerations and general guidance for assistants, who will document procedures reflecting the final audit program in the record of work done tab.

AUDIT RESOURCES

Based on our planning, we determined the nature, timing and extent of resources necessary to perform the engagement as follows:

Group Audit Strategy - We do **not** plan to rely on other external audits.

We do **not** plan to rely on other SAO audits.

Internal Auditors - We considered the potential for using the work of internal auditors. We do not plan to use the work of internal auditors.

Staffing - The auditor in charge, supervisor and all assistants are listed in the Team tab of the Profile. We have planned the audit staffing to

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ensure that all staff are adequately supervised.

We considered whether specialized skills are needed in performing the audit and determined that assigned personnel are independent and collectively have the technical knowledge, skills and experience necessary to perform the audit.

Budget – We updated the budget for this audit number in TABS and developed a detailed audit budget as documented in [Columbia County Audit Budget](#).

B.2.PRG - BARS Cash Basis Planning

Procedure Step: FS Entrance Conference

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/3/2018

Record of Work Done.:

See Entrance Conference planning step at [AC Entrance Conference](#) for complete details.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Engagement Letter

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/5/2018

Record of Work Done.:

We developed an engagement letter using our template ([Engagement Letter - Local Govt](#)) and considering the scope and factors affecting the audit.

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Please see Engagement Letter planning step at [Engagement Letter](#) for complete details.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Minutes, Other Audits and FAWF

Prepared By: MDR, 7/9/2018

Reviewed By: DHO, 7/10/2018

Record of Work Done:

The following items were noted in the review of minutes, FAWF items and other audits that may impact the single audit:

FAWF Items

- No items related to single audit.

Other Audits

- Not applicable.

Minutes Review (see at [Columbia County Minutes Review](#))

In our review of the minutes, we identified the following risks:

- Approval of the local agency 'Federal Aid Project Prospectus Agreement', for Tucannon Road Phase 3. **Potential risk that grant requirements for local agency agreements were not met.**
- Bid awarded to Barker Inc from Dayton WA for the Tucannon Road Project (Federal Funds) Contract award amount of \$2,062,164. **Potential risk that grant requirements for bidding/procurement were not met.**
- Approval of the Emergency Management Performance Grant (EMPG) grant FY17. Total expenditures \$22,590 listed on the SEFA. **Potential risk that grant funds were used for unallowable purposes.**

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B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Single Audit History
Prepared By: MDR, 7/5/2018
Reviewed By: DHO, 7/5/2018

Record of Work Done.:

We obtained single audit history information from the Federal Clearinghouse, as detailed in the attached matrix SingleAuditHistoryLowRiskStatus_PostUG. Please note, the County did not have a federal audit in FY16.

We also reviewed EIS for any recent single audit management letter or exit items and noted the following issues to consider:

- During the last Single Audit (FY15), the County was issued an exit recommendation due to not retaining all bidding documentation for a County Road project (procurement). **The risk is records retention remains an issue at the County.**
- We considered this information in determining low-risk auditee status and in assessing risk for federal programs.

T
The The County does not prepare their financial statements in accordance with GAAP, therefore they do not qualify as a low-risk auditee.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Schedule of Expenditures of Federal Awards
Prepared By: MDR, 9/6/2018
Reviewed By: DHO, 9/12/2018

Record of Work Done.:

STEP 1: Inherent Risk of Misstatement

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We have considered inherent risk factors that apply to the Schedule of Expenditures of Federal Awards and assess the inherent risk of material misstatement at **LOW**.

STEP 2: Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring) and the internal control objectives set forth in Uniform Guidance. See the Permanent File folder for additional documentation of our overall COSO evaluation.

We met with Sharon Richter, County Auditor regarding the control processes the County have over SEFA preparation. Based on our discussion we have documented the following controls and procedures:

- Sharon Richter is responsible for preparing the SEFA and related note disclosures.
- **She uses grant reconciliation forms, submitted to her by other departments to prepare the Schedule of Expenditures from Federal Awards, (SEFA). (KC1)**
- These forms indicate information such as amount spent, and received in the program, outstanding reimbursement requests, incurred expenditures to be claimed later, the CFDA number and other information.
- **Sharon ties the information on the forms, such as amounts received against general ledger figures. She consults the CFDA catalog and department heads when questions arise. (KC2)**

STEP 3: Confirm Key Controls

We obtained and reviewed the Annual Report working file which includes all grant reconciliation forms from each department that received grant funding during FY 2017. We scanned through the file and noted email correspondence with various departments discussing grants, a draft of the SEFA with notes and check marks, and reconciliation forms. Each reconciliation form contained a highlighted green mark. Sharon walked us through her process for preparation of the SEFA and explained that the highlighted marks on the reconciliation forms indicate that the form was reviewed for accuracy and added to the schedule. Sharon pointed out the section of the reconciliation forms which listed the grant title and CFDA number and mentioned that she verifies that the information is correct through the CFDA catalog. In the file we also noted general ledger print out with highlights, checkmarks and notes throughout, Sharon compares revenue amounts on the general ledger to the grant reconciliation forms to determine if amounts are reasonable.

Based on our review, it appears this control is in place.

STEP 4: Test Key Controls

We are not planning on relying on controls and therefore do not need to test controls; control risk will be assessed at maximum.

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STEP 5: Final Control Risk Assessment

MAX - We noted no matters involving internal control over SEFA preparation that we consider to be significant deficiencies or material weaknesses. However, we have assessed control risk at max because we have determined that substantive procedures alone will be effective to reduce detection risk to an acceptable level.

STEP 6: Risk of Material Misstatement

Based on our assessment of inherent risk and control risk above, we assessed the risk of material misstatement at **MODERATE**.

STEP 7: Substantive / Compliance Testing

Test SEFA by performing the following procedures:

- Trace figures to the underlying accounting and other records

We selected the grants highlighted in green at SEFA vouch to vouch the SEFA to at least 90%. We obtained the source documentation showing federal expenditures incurred during 2017 from the applicable departments.

We found that Prosecutor and Public Health was filling out the Departmental SEFA Form based on revenues rather than expenditures based on guidance from the Auditor's Office and documentation from the Treasurer's Office. Because of this, the SEFA was overstated and understated to different degrees, depending on the department and grant. We noted that the Treasurer's Office provided Account Analysis Reports to these departments, which showed revenues (3XX account codes) instead of expenditures (5XX account codes). The net variance for these departments was an overstatement of \$31,283.

We also noted that the Public Works department miscalculated 3 of their projects within their Highway Construction & Planning Grant for a net variance of \$(6,890) understated. One of these grants had an extension filed, which was later denied. Thus, \$2,874 of expenses became unallowable, but the SEFA was not updated.

There was one project within the Highway Construction & Planning Grant (Public Works) that was recorded as a federal grant by mistake in the Auditor's Office (\$5,984).

We noted that the Public Health Department miscalculated a grant by using revenues rather than expenditures resulting in an overstatement of \$20,790.

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There was an overall net overstatement of \$30,377 reported on the SEFA. We have confirmed that these amounts are accurate through review of the supporting documentation for the 2017 grant expenditures. We subtracted amounts in excess of the actual expenditures from the Total Federal Awards Expended line on the SEFA, bringing our balance from \$1,254,310 to \$1,223,933. We were able to vouch 90.5% of the SEFA after the corrections to the total were made.

We added this to the Aggregation of Misstatements step. Aggregation of Misstatements (BARS Cash) the level of recommendation spreadsheet (LOR Summary) and recommendation (E - SEFA Preparation).

- Read the SEFA and related notes, considering results of procedures performed and knowledge obtained during the audit. Determine if notes contain required disclosures. Compare SEFA footnotes to BARS/ABFR example. *At a minimum, the footnotes must describe the basis of accounting and whether or not the auditee elected to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect (F&A) costs.*
 - Schedule **was obtained from LGCS** (that is, generated by online filing), so the schedule will foot and presentation will match the BARS manual.
 - Schedule **was obtained from LGCS** (that is, generated by online filing), and the Schedule 16 Federal Validation on the Yellow Flag Report was checked to determine if CFDA's, federal agencies, and program titles are accurate. No issues noted.

Consider additional procedures to review completeness and appropriateness based on assessed risk:

- Do the expenditure amounts reported on the SEFA agree to the auditee's accounting records and other supporting documentation? **No. See above.**
- Is the SEFA prepared using the same basis of accounting as the financial statements? **Yes.**
- Are there any new awards that need to be added to the SEFA? Consider comparing total grant revenue with the amount reported as expended on the SEFA as a reasonableness test. **Compared grant revenue with SEFA. Appears reasonable.**
- Are there any programs listed on prior-year schedule that have been omitted during current year? Consider comparing total grant revenue with the amount reported as expended on the SEFA as a reasonableness test. **Compared the prior year SEFA to the current SEFA and did not identify any new or omitted programs.**
- Are there any federal loans on the grantee's debt schedule that should be listed on the SEFA? Did the grantee omit a loan it received from a state agency that it believed to be state-funded instead of federal-funded? **No.**
- Does the SEFA reflect all the operations of the reporting entity (all departments, offices, agencies, etc.)? **Yes.**

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- Does the auditee have any component units? If yes, are the federal awards expended by the component unit(s) included in the auditee's SEFA or did the component unit elect to have its own separate single audit conducted? **Not applicable.**
- Are grants properly identified as direct or indirect, and if an indirect grant, is the name of the pass-through agency properly identified? **Yes.**
- Are the "other identification numbers" listed on the schedule, such as contract or grant agreement numbers (as noted above, this is required under Uniform Guidance)? **Yes.**
- If the auditee has a cluster, is each program of the cluster identified separately (cluster name and list of programs in the cluster) and the cluster totaled (see above for requirements)? **Yes.**
- Does the SEFA include a separate column to report the total amount provided to subrecipients from each federal award (assuming it had subrecipients - see above for requirements)? **Yes.**
- Refer to Single Audit Planning Guide for additional information about reporting loans, receipt of property (supplies, equipment, vaccines), Medicaid, FEMA disaster assistance, program income, etc.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Low-Risk Auditee Status

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/5/2018

Record of Work Done.*

(updated 5/27/16)

As detailed in SingleAuditHistoryLowRiskStatus_PostUG, we checked all the following conditions for each of the preceding two years (note there was no FY16 federal audit):

- Single audits were performed on an annual basis in accordance with the provisions of Circular A-133 or Subpart F – Audit Requirements of the Uniform Guidance in 2 CFR 200 **Criteria met**

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- The data collection form and single audit reporting package was submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the audit report or 9 months after the fiscal year end - **Criteria met**
- The auditor's opinions on whether the financial statements were prepared in accordance with GAAP and the auditor's in relation to opinion on the schedule of expenditures of Federal awards were unmodified - **Criteria not met**
- There were no deficiencies in internal control over financial reporting which were identified as material weaknesses under the requirements of Government Auditing Standards (GAGAS) - **Criteria met**
- The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern. - **Criteria met**
- None of the Federal programs had audit findings from any of the following in either of the preceding two years in which they were classified as Type A programs: **Criteria met**
 1. Internal control deficiencies which were identified as material weaknesses;
 2. Modified opinion on a major program;
 3. Known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the year.

The County does not qualify as a low risk auditee as they are a cash-basis entity.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Materiality
Prepared By: MDR, 7/2/2018
Reviewed By: DHO, 7/5/2018

Record of Work Done.*

Decisions about the materiality of noncompliance and the significance of internal control deficiencies will be made at the individual compliance requirement level (e.g., allowable costs, eligibility, matching, etc.) for each major program. In addition, if accumulated findings and questioned costs are material to the major program taken as a whole, we will consider the need to qualify our opinion on the auditee's compliance with requirements applicable to the major program.

Internal Controls

When evaluating deficiencies found in an auditee's internal controls over compliance, we will use the chart in the Major Federal Program

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spreadsheet as guidance. This evaluation will be made for each compliance requirement selected for audit.

Compliance areas that do not have quantitative values, such as reporting, may qualify as findings due to qualitative characteristics (since these do not have an expenditure impact). The auditor should consider whether internal controls are ineffective to prevent or detect non-compliance. Qualitative considerations may include the needs and expectations of federal agencies and pass-through entities. Qualitative factors that indicate that controls leading to potential non-compliance may be **immaterial** include (A) a low risk of public or political sensitivity, (B) a single exception that has a low risk of being pervasive, or (C) an indication, based on the auditor's judgment and experience, that the affected federal agency or pass-through entity would normally not need to resolve the finding or take follow-up action.

Tests of Compliance

Individual compliance areas - We will report as findings any known and likely questioned costs that exceed \$25,000 for a particular compliance requirement. For other instances of noncompliance without questioned costs (for example, a financial report that contains errors or a case where subrecipients have not been monitored), we will consider reporting a finding if the monetary value or effect associated with the noncompliance exceeds **10%** of total program expenditures. When our test size is less than **10%** of the program total expenditures, auditors should consider either expanding testing or extrapolating the results to determine whether the **10%** threshold would likely be exceeded. However, this general rule will not preclude us from reporting a finding for lesser amounts, nor will this preclude us from reevaluating our materiality threshold and expanding and/or modifying the nature and extent of testing. We also recognize that noncompliance can occur in areas without an associated monetary value and not result in questioned costs. Such cases will be evaluated using qualitative factors such as (1) the level of public or political sensitivity, (2) isolated exceptions with a low risk of pervasiveness, and (3) the perspective of the grantor agency as to the importance of the issue.

Opinion on compliance for each major program – If the dollar amount associated with instances of noncompliance, either for an individual compliance requirement or aggregated compliance requirements, exceeds **20% of the total program costs**, we will consider qualifying our opinion on compliance for the program as a whole. This does not preclude auditors from modifying their opinion for lesser amounts. In addition to this quantitative measure, auditors should use qualitative factors such as (1) the level of public or political sensitivity, (2) isolated exceptions with a low risk of pervasiveness, and (3) the perspective of the grantor agency as to the importance of the issue when considering whether to qualify their opinion on compliance for the program. Auditors should also recognize it may be necessary to qualify their opinion on compliance for scope limitations where sufficient and appropriate audit evidence could not be obtained for examination.

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Risk Assessments & Major Programs

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Prepared By: MDR, 7/17/2018

Reviewed By: DHO, 7/26/2018

Record of Work Done:

First, we determined which programs were classified as Type A and Type B. We then performed risk assessments for the Type A and Type B programs as applicable.

Fraud Brainstorm: On 7/17/18, my supervisor and I discussed whether there are any known or perceived risks of material noncompliance due to fraud with any compliance requirements for Type A and Type B programs. Any risks will be considered when we audit the major program.

Based on the work documented on the attached spreadsheet (Risk Assessments and Major Programs), the following are major programs for the current audit (we obtained the audit programs from the SAOStore):

Program Title - CFDA Number

Highway Planning and Construction - CFDA 20.205

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

Procedure Step: Prior Findings (if applicable)

Prepared By: MDR, 7/2/2018

Reviewed By: DHO, 7/5/2018

Record of Work Done:

Not Applicable - no prior audit findings

B.3.PRG - Single Audit Planning - Uniform Guidance Audits

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Procedure Step: SA Entrance Conference
Prepared By: MDR, 7/2/2018
Reviewed By: DHO, 7/5/2018

Record of Work Done.:

See Entrance Conference planning step at [AC Entrance Conference](#) for complete details.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: Changes to AC Audit Plan
Prepared By: MDR, 8/23/2018
Reviewed By: DHO, 8/28/2018

Record of Work Done.:

No changes were made to our audit plan.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Summary & Report
Prepared By: MDR, 8/23/2018
Reviewed By: DHO, 8/28/2018

Record of Work Done.:

(1) Evaluation of Evidence Obtained

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We determined that sufficient, appropriate evidence was obtained and documented in order to support our audit report. In making this determination, we:

- **Completion of work:** checked that all accountability work was complete.
- **Identified risks:** checked that risks identified in planning were adequately addressed by documented audit procedures.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.

(2) Accountability Report

We analyzed accumulated issued in the attached LOR Summary (LOR Summary). Based on our audit and consideration of results at both individual and aggregate levels, we determined reporting level of audit issues and determined content of our audit report.

(3) Report Preparation & Distribution:

Report preparation, technical report review, issuance, distribution, and the final official version of the report is documented in ORCA and the ARTS database.

Standard report distribution will include the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate. Report distribution will not be limited. The report will be published on our website and further distributed by email to any parties with applicable subscriptions.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: Review Finding Response

Prepared By: MDR, 9/13/2018

Reviewed By: DHO, 9/19/2018

Record of Work Done.

Obtaining the views of responsible officials:

We presented the draft finding to the Board of County Commissioners, on 9/7/18.

We requested a response from the Commissioners on 9/7/18 as documented in Request for Finding Response.

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Evaluating the response:

We obtained the response as documented in [Commissioner Finding Response - Columbia County](#). We reviewed it and noted:

- No new evidence was presented
- No information that was contradictory or inconsistent with facts presented in our finding
- No new perspectives were shared that would cause us to re-consider our description of the condition, cause, effect or recommendation

We developed the Auditor's Response section of our finding based on this evaluation.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Letter of Representation

Prepared By: MDR, 9/19/2018

Reviewed By: DHO, 9/19/2018

Record of Work Done:

STEP 1:

We selected the appropriate representation letter template from the Store and considered whether any additional representations were needed beyond the standard ones included in the template. We determined that **no** additional representations were needed. See at [Rep Letter Request](#).

STEP 2:

We requested management representations as detailed in [Rep Letter - BARS Cash](#). Along with the request, a final list of uncorrected misstatements was included in the representation template.

STEP 3:

We obtained the representation letter and reviewed it to check that:

- All representations were properly made and consistent with expectations;
- It was dated the same as our report date; and
- It was signed by appropriate members of management.

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See signed representation letter at [Signed Mgmt Rep Letter](#).

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Exit Conference

Prepared By: MDR, 9/19/2018

Reviewed By: DHO, 9/19/2018

Record of Work Done:

Invitations:

We invited staff to attend the Exit Conference via email. We asked the Auditor, Sharon Richter, to distribute the invitations to County staff. See invitation at [Exit Conference Invitation](#).

Exit Conference:

The exit conference handout is documented at [Exit Conference](#). The following people attended the official exit conference on 9/19/18 at the Columbia County Commissioners' Office, which was held in accordance with Audit Policy 2220:

- Sharon Richter, Auditor
- Lisa Ronnberg, PW Business/Accounting Manager and Interim Director
- Audrey McLean, Treasurer
- Chris Mills, Assessor
- Norm Passmore, Commissioner Chairman
- Mike Talbott, Commissioner
- Merle Jackson, Commissioner

C.1.PRG - Concluding Accountability Audit Procedures

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Procedure Step: AC Quality Control Assurance Certification

Prepared By: MDR, 9/5/2018

Reviewed By: GLW, 9/10/2018

Record of Work Done:

Quality Control Assurance Certification

*The certification must be signed-off **before** the Accountability audit report is issued.*

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure that specific audit objectives were achieved (Audit Policy 3210).

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10. An entrance conference was conducted in accordance with Audit Policies 2130 and 2210.
11. An exit conference was conducted in accordance with Audit Policies 2130 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director of State and Local Audit or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director of State and Local Audit or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.
6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

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C.2.PRG - State Grants

Procedure Step: Review State Grants

Prepared By: MDR, 8/21/2018

Reviewed By: GLW, 8/25/2018

Record of Work Done:

Risks Identified in Planning: Accountability Audit Plan

The Rural Arterial Program (state grant) is material in that it is over 10% of total County expenditures. Risk that state grant expenditures were not allowable and/or services were not provided in accordance with the grant agreement.

Planned Procedures:

Verify that services were actually provided and contractor was paid in accordance with the terms of the grant agreement.

Work Performed:

Based on our review of Schedule 15 - State Grants, we judgmentally selected the Rural Arterial Program (RAP) for review based on total dollar amount expended in FY17. We specifically selected the top two projects: PWP 0702-Tucannon Road and PWP 09-02-Lyons Ferry Rd. In speaking with key personnel, we confirmed the grant has not been reviewed by the state grantors.

Rural Arterial Program (RAP)

We met with Lisa Ronnburg, RAP program coordinator to gain an understanding of the grant program.

Lisa requests grant reimbursement on a quarterly basis for the RAP grant.

Lisa maintains a project binder with all payment requests from each funding source and project costs. At the end of each month Lisa runs a report from CAMS for project costs for the specified dates. She tracks and monitors project costs using an excel spreadsheet that she updates each month with project-to-date expenditures and amounts requested from each funding source to ensure reimbursement for the same project costs are not requested from both funding sources.

Prior to submitting each payment request, Lisa routes the reimbursement request form and supporting documents to Andrew Wood, Public Works

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Director. Andrew reviews each request to ensure amounts are mathematically accurate and costs are allowable. He then signs the requests as evidence of his review/approval and Lisa submits it to the State. Once the funds are received, Audrey McLean, County Treasurer will email the confirmation to Lisa who prints a hard copy to retain in the grant binder.

We obtained all reimbursement requests, supporting CAMS report and vendor pay estimates/invoices from Lisa Ronnburg.

The Tucannon Road Phase 3 project type of work on the grant agreement is Construction. We noted a total of five reimbursement requests were submitted during 2017 for PWP 07-02 Tucannon Road Phase 3. The County spent a total of \$1,575,034 on this project (from all funding sources) in 2017. We are reviewing \$878,266 (or 56%) of the total project expenditures. We judgmentally selected the two highest payment requests and reviewed supporting documents to ensure grant expenditures were allowable, services were provided in accordance with the contract, and the same project costs were not requested from multiple funding sources.

The Lyons Ferry Road project type of work on the grant agreement is Preliminary Engineering (90%) and Construction (100%). We noted a total of two reimbursement requests were submitted during 2017 for PWP 09-02 Lyons Ferry Rd (the project was completed in 2017 with an October 20, 2017 official closure date; letter regarding closure dated 7/20/17 and no other RAP reimbursement request forms in binder). The County spent a total of \$283,964 on this project (from all funding sources) in 2017. We are reviewing \$91,051 (or 32%) of the total project expenditures. We judgmentally selected the highest payment request between the two and reviewed supporting documents to ensure grant expenditures were allowable, services were provided in accordance with the contract, and the same project costs were not requested from multiple funding sources. See testing at [State Grants Testing](#).

Conclusion:

Based on our review, we determined grant expenditures were allowable and services were provided in accordance with the grant agreement.

C.3.PRG - General Disbursements

Procedure Step: Review Disbursements

Prepared By: MDR, 8/23/2018

Reviewed By: GLW, 8/25/2018

Record of Work Done.

Risks Identified in Planning ([Accountability Audit Plan](#)):

We were unable to obtain a Vendor Trend for FY17 due to the Auditor's Office being unable to run the report correctly (reports run did not include vendor amounts past the letter C). Potential risk of invalid vendors. Potential risk of unsupported payments to vendors.

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Planned Procedures:

1. Select vendor payments to test from bank statements and tie from the bank statements to the checks, and then to the supporting documentation (invoices).
2. Selected cancelled checks to test from the bank statements and tie them to the bank statements.
3. Verify that vendors selected are valid, registered businesses.
4. Determine whether vendors are a valid registered businesses, and payments are supported, allowed, authorized, and for the County's purpose.

Work Performed:

Please note: As we were unable to obtain a Vendor Trend for FY17 (noted above in Risks Identified in Planning), our process for testing vendors will be based off of the bank statements. Our testing will also be more thorough as this is now a high risk area.

Selection and Testing - Vendors

We spoke with Audrey McLean, Treasurer, about selecting transactions for testing. She explained that for the Home Street checking account, the Debits listed on the bank statement are typically warrants (with Claims Clearing, School 2, or School 35 codes). Within each warrant are multiple checks. There are some checks written straight from the account (approximately 10 every month). For us to select transactions to test, we will go to our selected month's warrants (Claims Clearing-1006 only), and then select individual checks based on who they are written to (looking for vendors). Once checks have been selected, supporting documentation can be provided. We will judgmentally select the top expenditure month from the Home Street checking account. From there, we will judgmentally select checks for testing based on unusual vendor names or payment amounts.

HOME STREEET BANK

We obtained and reviewed the Home Street checking account bank statements. We noted that the top month of expenditures was December (see table below).

Month	Account Subtractions
January	\$2,155,783
February	\$1,574,597
March	\$2,796,138
April	\$1,097,367
May	\$2,935,432
June	\$2,579,011
July	\$1,930,822
August	\$1,677,900

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September	\$1,751,301
October	\$1,931,899
November	\$2,348,585
December	\$3,566,857

We obtained the Claims Clearing statement for December 2017. We reviewed all the cancelled check images included in the statement and made note of the ones sent to vendors. We noted vendor name, check date, check number, and check amount (see the "Population" tab at [General Disbursement Testing](#)). We judgmentally selected checks for testing based on unusual vendor names and unusual payment amounts.

See [General Disbursement Testing](#) in the "Home Street" tab for our final selection.

TESTING

We obtained and reviewed supporting documentation for our selected checks. See testing at [General Disbursement Testing](#).

We found that all checks were adequately supported, allowable, and for the County's purpose. No issues noted.

Verify Vendors

After performing our disbursement testing, we looked up each vendor online through <http://bls.dor.wa.gov/checkstatus.aspx> to determine whether the vendors are valid and registered businesses. Some vendors were not included on the DOR website, so we found the company's website and determined if the business appeared legitimate. We also had to physically observe two local businesses as they did not have a website. We found that all vendors appeared to be valid. See our testing at [General Disbursement Testing](#) in the "Home Street" tab.

We determined that County vendors from our Gen Disb testing are valid, registered businesses.

Determination

In our testing, we determined that our selected general disbursements were adequately supported, allowable, and for the County's purpose. We found one instance where a clerical error resulted in \$41 more than was owed in hospital tax revenue being sent to the hospital via check. This appears to be an isolated incident, and the amount is very low, so we will pass on further review.

Conclusion:

We determined that our selected transactions were adequately supported, allowable, and for the County's purpose. We determined that the vendors from our General Disbursement Testing are valid, registered businesses. No issues noted.

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C.4.PRG - Payroll Disbursements

Procedure Step: Payroll Disbursement Testing

Prepared By: MDR, 8/15/2018

Reviewed By: GLW, 8/16/2018

Record of Work Done.*

Risks Identified in Planning (Accountability Audit Plan):

During our review of the Payroll Trend, we found that one employee's pay (from the County's own reports) did not match the W-2's for 2015 and 2016. Potential risk of employee pay not being accurate in the accounting system at the County.

Planned Procedures:

1. Judgmentally select employees from the Payroll Trend for testing.
2. Test employee pay by recalculating what their pay should have been via Personnel Action Forms (PAFs). Compare the calculation to what they were paid via the County's accounting system and the employee's W-2 to ensure the amount is reasonable.
3. Determine whether payroll salaries and wages (gross pay) is valid and adequately supported.

Work Performed:

Judgmental Selection

We obtained the Payroll Trend for 2017 and judgmentally selected 19 employees based on potential for risk. During planning, we found one employee whose 2015 and 2016 W-2's did not match the data we were provided in our trend (they were higher than our trend which pulls information from the County's Accounting System). Because of this, not only are we concerned about unallowable payments being made to employees, but we are also concerned about employees not being paid what they have earned. Further, we are concerned that accounting records do not tie to employee W-2's. We judgmentally selected employees based on access to accounting information, large increases or decreases, duplicate entries, or similar names prone to input error.

Payroll Testing

We obtained employee W-2's to compare to the accounting system data. We also obtained personnel files and payroll records (such as approved

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salary schedules and pay step forms) to perform a quick recalculation. This recalculation is to determine whether what the employee was paid in 2017 appears reasonable based on their approved pay.

W-2 Testing

We compared the W-2 FICA eligible amounts (which do not include Deferred Compensation or Retirement Contributions) to the accounting system gross pay minus pre-tax medical, dental, and AFLAC. These pre-tax deductions are not reported on the W-2. We also compared the W-2 income tax eligible amounts (which do include Deferred Compensation and Retirement Contributions) to the accounting system gross pay minus pre-tax, deferred comp, and retirement contributions.

During our testing, we found that there was a variance of \$850 (net) between the accounting system and employee W-2's due to the Accounting System not rolling up Incentive Program and Meal Reimbursements into the Gross Wages line. The incentives and reimbursements, once added with the Gross Wages line, tied to the W-2's.

Recalculation

We planned to recalculate employee gross pay according to approved salary schedules, personnel payroll forms, and applicable dates ranges of wage rates. We planned to compare this figure to the gross pay from the W-2 to ensure it is reasonable.

We requested employee personnel files, and reviewed the pay-related documentation in the Auditor's Office. Further, we inquired with the Clerk of the BoCC for any other pay-related employee information the BoCC may have. We requested the approved 2017 salary schedule (see at 2017 Approved Salary Schedule). We also requested the approved Union Contract in effect in 2017 (see at Approved Union Contract - ColCounty).

--UNION--

For union workers (in our selection all union workers were in Public Works), we verified each employee's union level with Lisa Ronnberg, PW Business/Accounting Manager by reviewing her union spreadsheet, which she updates monthly. We compared the union level with the approved Union Contract in effect in 2017. We reviewed the contracted and noted the clause regarding wage rates (page 14), which referenced the Wage Table in Appendix A (page 18) and that effective January 1 2017 and January 1 2018 the wage rates would increase by 100% of the CPI-W increase (with a minimum of 1.5% increase and a maximum of 2.5% increase).

We reviewed the CPI-W for September 2016 (see at Consumer Price Index - September 2016) and found that the wage rate increase effective January 1 2017 would be 1.5% (CPI was 1.2%, but minimum increase is 1.5%; see union contract).

In comparing wages between Lisa's union spreadsheet and the union contract wages for Robert Benzel and William Wood, we determined that the employees were paid the correct wage rate for their union level, pay step, and 2017 wage rate table (1.5% increase from original 2016 table). We recalculated their pay based on their approved wages and found a net variance of \$2,430.29, most of which came from Robert Benzel who

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left July 13, 2017 (see [Robert Benzel Email](#)) and most likely received sick and vacation leave payouts. Because of this, the variance appears reasonable and we will pass on further review.

See testing at [Payroll Disbursement Testing](#).

--NON-UNION--

When we attempted to perform a recalculation of employee pay based on Personnel Action Forms (or other acceptable forms), we found that we could not confirm pay for 6 out of 19 employees selected for testing (32%). There were missing PAF (or other) forms indicating position/pay changes, or there was little to no documentation for the employee at all. Cathy Abel, who processes payroll in the Auditor's Office, explained to us that pay-related records are retained by the Auditor's Office in order to make changes to employee pay after the BoCC has approved the change. She also stated that sometimes the BoCC tells them to make a change to an employee's pay even when supporting documentation is not provided, which she will do in that instance.

We inquired with her to determine if there was any other documentation we could review beyond what was already provided by the Auditor's Office and individual departments, and she told us there was not. Further, we inquired with the Clerk of the BoCC to determine if there was any documentation held in their office for the employees of which we could not confirm pay. We were told that the Auditor's Office is responsible to hold all payroll-related documentation and that the BoCC does not retain any of that documentation.

There was a net variance of \$237,771.04 for non-union employees when we performed our calculations. Most of this variance is due to the 6 employees whose pay we could not confirm, and thus, could not recalculate. The variance for employees for whom we could not recalculate pay was \$218,767.07 net.

There was also one employee who switched from Full Time to Hourly On-Call on 4/1/2017. There was no documentation indicating what her pay would be as an Hourly On-Call employee, but there was a drastic drop in pay from 2016 to 2017. We reviewed her timesheets to verify that she was still working, but did not perform a full recalculation, leaving us with a variance of \$2,850.27 from hourly work. This appears reasonable so we will pass on further review.

The overall non-union variance NOT including the On-Call employee NOR the employees whose pay cannot be confirmed is \$19,003.97 net. Of that amount, \$10,568.31 was due to confirmed (via timesheets) overtime and \$2,330.98 was due to *un*confirmed (via timesheets) overtime that appeared reasonable, leaving a final variance of \$6,104.68 net for non-union employees NOT including the On-Call employee NOR the employees whose pay cannot be confirmed. This variance appears reasonable and we will pass on further review.

We have reviewed all documentation available for our selected employees for which we had questions (variances over \$2,000) or for which we could not confirm pay. Because of the overall scope limitation due to lack of documentation, we will issue a recommendation for the lack of

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payroll-related documentation. We will also add this to the FAWF for consideration of further review in the future (and in response to our recommendation). ML - Unsupported PayrollLOR SummaryFAWF

See testing at Payroll Disbursement Testing.

--ALL EMPLOYEES--

Overall, we could not confirm pay for 6 out of 19 employees selected for testing (32%) due to lack of documentation, so we were not able to recalculate employee pay for all selected employees.

It appears there is a gross lack of documentation related to employee pay, to the point that we cannot perform our planned testing (i.e., a scope limitation). We will issue a recommendation and add this item to the FAWF for future consideration of review.

ML - Unsupported PayrollLOR SummaryFAWF

See testing at Payroll Disbursement Testing.

Determination

We determined that the County properly reported employee pay on the W-2 via the County's system, with no exceptions noted. However, we were unable to perform our recalculation of employee pay due to a scope limitation (lack of documentation).

When we attempted to perform a recalculation of employee pay based on Personnel Action Forms (or other acceptable forms), we found that we could not confirm pay for 6 out of 19 employees selected for testing (32%). There were missing PAF (or other) forms indicating position/pay changes, or there was little to no documentation for the employee at all. Cathy Abel, who processes payroll in the Auditor's Office, explained to us that pay-related records are retained by the Auditor's Office in order to make changes to employee pay after the BoCC has approved the change. She also stated that sometimes the BoCC tells them to make a change to an employee's pay even when supporting documentation is not provided, which she will do in that instance.

We inquired with her to determine if there was any other documentation we could review beyond what was already provided by the Auditor's Office and individual departments, and she told us there was not. Further, we inquired with the Clerk of the BoCC to determine if there was any documentation held in their office for the employees of which we could not confirm pay. We were told that the Auditor's Office is responsible to hold all payroll-related documentation and that the BoCC does not retain any of that documentation. Overall, we could not confirm pay for 6 out of 19 employees selected for testing (32%) due to lack of documentation, so we were not able to recalculate employee pay for all selected employees. ML - Unsupported PayrollLOR SummaryFAWF

It appears there is a gross lack of documentation related to employee pay, to the point that we cannot perform our planned testing (i.e., a scope

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limitation). We will issue a recommendation and add this item to the FAWF for future consideration of review.

Conclusion:

We determined that the County properly reported employee pay on the W-2 via the County's system, with no exceptions noted. However, we were unable to perform our recalculation of employee pay due to a scope limitation (lack of documentation).

When we attempted to perform a recalculation of employee pay based on Personnel Action Forms (or other acceptable forms), we found that we could not confirm pay for 6 out of 19 employees selected for testing (32%). There were missing PAF (or other) forms indicating position/pay changes, or there was little to no documentation for the employee at all. Cathy Abel, who processes payroll in the Auditor's Office, explained to us that pay-related records are retained by the Auditor's Office in order to make changes to employee pay after the BoCC has approved the change. She also stated that sometimes the BoCC tells them to make a change to an employee's pay even when supporting documentation is not provided, which she will do in that instance.

We inquired with her to determine if there was any other documentation we could review beyond what was already provided by the Auditor's Office and individual departments, and she told us there was not. Overall, we could not confirm pay for 6 out of 19 employees selected for testing (32%) due to lack of documentation, so we were not able to recalculate employee pay for all selected employees.

It appears there is a gross lack of documentation related to employee pay, to the point that we cannot perform our planned testing (i.e., a scope limitation). We will issue a recommendation and add this item to the FAWF for future consideration of review.

ML - Unsupported PayrollLOR SummaryFAWF

C.5.PRG - Property Room - Records and Disposition

Procedure Step: Disposition of Property

Prepared By: MDR, 8/20/2018

Reviewed By: GLW, 8/22/2018

Record of Work Done.:

Risks Identified in Planning (Accountability Audit Plan):

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When the County switched to their new Property Room system (New World), data on property was lost. Since then, the County has gone through all the items in the Property Room and disposed of many bicycles and firearms. Potential risk that records do not match the actual items within the property room. Potential risk that disposed property was not approved and/or did not have proper documentation.

Planned Procedures:

1. Gain an understanding of internal controls over the Property Room (see at [Property Room](#)).
2. Test items in the property room (see at [Property Room](#)).
3. Review disposed property records to ensure approval was obtained and documents were retained. -See disposed property review below
4. Determine whether unclaimed and forfeited property was properly disposed.

Work Performed:

Disposed Property Review

We obtained and reviewed the documentation available regarding disposition of assets from the Property Room. We reviewed a "Property by Storage Location" Report from 11/29/17 that had notes and checkmarks on it, indicating review of the Property Room ([Property Room Internal Audit-Disposal - REDACT - CONFIDENTIAL INFO](#)). Per Tim Quigg, Civil Deputy, this report was used when Tim and Michele McCleary, Legal Administrator went through cases and evidence and determined what could be disposed of. Tim also provided an email showing discussion of disposing of property relating to a list of case numbers with Dale Slack, Deputy Prosecuting Attorney ([Property Room Disposal Email - REDACT - CONFIDENTIAL INFO](#)). We went through the case numbers from the email in New World and noted that some, but not all, of the property had been disposed. During our review, however, we did not note any official approval of 2017 dispositions (there were approximately 40 items disposed). We will issue a recommendation. [E - Property RoomLOR Summary](#)

Determination

Because there was no indication of official approval for disposal of property, we could not determine if the property was properly disposed.

Conclusion:

Based on our review, it appears that discussion took place regarding the disposition of unclaimed and forfeited property. However, there was no official approval of the items disposed in 2017. We will issue a recommendation. [E - Property RoomLOR Summary](#)

C.5.PRG - Property Room - Records and Disposition

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Procedure Step: Property Room
Prepared By: MDR, 8/20/2018
Reviewed By: GLW, 8/22/2018

Record of Work Done.†

Risks Identified in Planning (Accountability Audit Plan):

When the County switched to their new Property Room system (New World), data on property was lost. Since then, the County has gone through all the items in the Property Room and disposed of many bicycles and firearms. Potential risk that records do not match the actual items within the property room. Potential risk that disposed property was not approved and/or did not have proper documentation.

Planned Procedures:

1. Gain an understanding of internal controls over the Property Room.
2. Test Property Room system (New World) records by selecting items from the property log and reviewing the property it is linked to. Also select items from within the Property Room and ask to review the system data it is linked to.
3. Review disposed property records to ensure approval was obtained and documents were retained (see at Disposition of Property).
4. Determine whether property held by the department is adequately safeguarded.

Work Performed:

Gain an Understanding

Key Personnel:

Tim Quigg, Civil Deputy/Evidence Custodian

We spoke with Tim Quigg, Civil Deputy and Evidence Custodian to gain an understanding of internal controls over the Property Room.

Security

- The property room can only be accessed via an electronic pass key. Tim is the only person with a pass key. In case of an emergency, or if Tim was not available, the Sheriff would be able to gain access. The pass key logs date, time and who

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entered via computer system. Any unauthorized access attempts are also logged by system (e.g. if a deputy tries to use their key fob). The room entry is under CCT surveillance 24/7 and monitored by dispatch, and is also recorded.

Tagging and Tracking

- The Department discontinued using bound evidence books in January 2014 and began using the Spillman/New World evidence module exclusively. All items from the evidence books were input into Spillman, which were subsequently migrated to New World, and reconciled by Tim.
- The Department adopted a Deputy's Evidence Handbook which was distributed to all deputies who were also trained by Tim on proper bagging and tagging.
 - To ensure accountability for evidence, the department accounts for all evidence/property by logging all items into New World. Items are packaged and sealed, entered into the system, and bar code labels are printed from the system and placed on each item. New World also maintains the chain of custody. For example, when something is sent to the lab, it is logged out in the computer by Tim. When it returns, it is logged back in by Tim and secured back in the evidence room. When items are released to the owner they are documented as "Returned to Owner" in New World and the owner's signature is kept electronically in New World.
- Items are physically tagged and bagged (this includes case number, description of the items, weight and/or quantity) using pre-printed bags/boxes which are filled out with required information and then sealed.
- The Department secures guns, money, and drugs within safes inside the secure evidence room. Tim is the only person with access to the safes.
- **Note:** *The County switched from Spillman to New World software in July 2016 to account for property room evidence. All Spillman property room data was printed and hard copy documents retained on file. All department data from Spillman (including the property room) has been converted and was merged to New World. Is this something we need to consider testing? In our testing spreadsheet, items with an asset tag number that is only 4 digits are items that were transferred over from Spillman to New World. In New World, the asset tag number is the same as the case number and is much longer. There were a total of 7 Spillman items out of 26 total items tested (27%). The risk of lost data from Spillman is addressed in our testing. While the software has changed, the process and procedures for tagging and tracking property/evidence remains the same.*

Temporary Evidence

- Temporary storage lockers are used when evidence or property is brought in during the night. Deputies package the evidence (tagged and bagged) and place in a storage locker. There is a padlock inside each locker. The deputy secures the locker with the padlock, then sends Tim an e-mail notifying him there is evidence/property inside the locker that needs to be logged into the system and moved to the evidence room. Tim Quigg is the only person with a key to the pad lock. He will access the locker the following morning and log the property into New World then move it to the property room.

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Disposition

- Property that has not already been destroyed once the items have been adjudicated (illegal substances or items), are deemed useful by the County, deemed necessary to keep for a specified amount of time (statute of limitations, found property, etc), or deemed disposable. Disposals of property can occur by destruction or by sale. Whether an item is destroyed or sold is determined on a case by case basis between Tim Quigg and Rocky Miller, Sheriff. They determine whether the property has any value and would be worth selling, and if so, follow auction procedures from their handbook. If the property does not have any value for sale, or is required to be destroyed, they follow the Destruction of Property procedures from their handbook.
- Some property is deemed useful for County use. This is determined on a case by case basis, as noted above. If property has been deemed useful for the County, they follow the Converted for County Use procedures in their handbook.
- Tim places property room items in a box labeled for sale (when determined to be appropriate). Tim updates the item in New World as being set aside for auction. Items are then sold at auction (per evidence handbook) and New World is updated accordingly.
- Tim places property room items in a box labeled for destruction (when determined to be appropriate). Tim updates the item in New World as destroyed. Items are then destroyed by incineration and New World is updated accordingly.
- The County operates a grant program for the destruction of prescription drugs turned in by citizens. A large safe inside the main office houses these drugs until they are incinerated. A drop safe is kept at the front counter for citizens to dispose of unwanted medications. The drop safe requires a two key access. Tim has one key and Rocky has the other. They both must be present to open the safe. When the drop safe gets full, Tim and Rocky open the safe together and the drugs are moved into the larger safe inside the office by Tim and a DEA agent. The larger safe requires a six digit pass code to open. Tim has three digits and a DEA agent has the other three. The safe cannot be opened without both individuals. When the large safe is full, an appointment is scheduled for incineration at the EPA in Spokane and items are taken by the DEA and another officer for destruction.

Audits

- Per Tim Quigg, the most recent internal audit was performed in November 2017 by Rocky Miller. We asked to see the audit report, and were told that the only documentation from the audit was the "Property by Location" report that was also used during the 2017 disposition of property project with the Prosecutor's Office. We obtained a copy of the report at Property Room Internal Audit- Disposal - REDACT - CONFIDENTIAL INFO. We noted the report contained notes and checkmarks indicating review, but there was no official approval or opinion of the state of the Property Room. We will issue a recommendation. E - Property RoomLOR Summary
- In 2014 Tim reconciled all entries from Spillman.
- In 2014 the Department began using the Deputy's Evidence Handbook which was distributed to all deputies who were also trained by Tim on proper bagging and tracking.
- In 2015-2016, Tim conducted a complete a firearms purge which had never been done in the history of the Department. The Courts were petitioned to grant disposal of the firearms and each case was reviewed and approved by a judge. 63 firearms were put out for bid or destroyed.

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- We obtained the most recent policies and procedures dated 2014 [[Property Room Operational Procedures](#)]. We noted the current policies do not require scheduled internal audits of the property room. Tim plans to start an annual inventory now that Spillman data is merged into New World. We recommend the Department update written policies and procedures to include an annual internal audit of property room evidence to ensure listings are accurate and complete. [E - Property Room Policies](#)

Property Reporting

- As per the Sheriff's Office evidence handbook, when items are destroyed, a summary report is sent to the Court.
- As per the Sheriff's Office evidence handbook, when items are converted for County use, a list of all converted property is maintained in the department.
- As per the Sheriff's Office evidence handbook, when items are sold at auction, the disposition of proceeds from the auction are dispersed as follows, pursuant to RCW 63.40.030: 1) Sale Costs: Payment of costs and expenses of the sale, including personnel costs. 2) Storage and Keeping Fees: Payment of lawful charges and expenses for the keeping of said personal property, including tracking costs, storage costs such as shelving, boxes, wrappings, etc. 3) Monies Remaining: The balance, if any, shall be paid into the County's current expense fund.
- We inquired about the reporting of forfeited property to the State Treasurer, which should occur quarterly, with Tim Quigg. We also inquired about the 10% remittance to the State for property sold at auction (based on sale price minus selling costs) and property converted for department use (fair market value minus any appraising costs). These requirements are described in RCW 69.50.505 (8a-d) (9a-c). We were told that Tim fills out 6 different State-provided reports every quarter and sends them in to the State Treasurer. The forms are as follows: Sexual Exploitation Crimes Remittance Form, Money Laundering Forfeited Property Status Report, DUI Vehicle Forfeited Property Status Report, Child Pornography Remittance Form, Property Involved in a Felony Remittance Form, and Drug Forfeited Property Status Report. He also uses a State Treasurer provided document titled "Forfeited Property Reporting Requirements Guideline" for filling out the 6 reports, which indicates that destroyed, converted for department use, and sold property must be reported. It also covers the 10% remittance owed to the State for certain types of property. Tim showed us his log book that showed the last remittances made to the State (one in 2015 and one in 2016), which were both less than \$50. He explained that with the County being as small as it is and the Sheriff's Office being under-staffed, that there won't be much property of which 10% will go to the State. If there is property that required remittance to the State, he writes the check immediately and sends it to the State Treasurer.

Walk through

- We performed a walk through and confirmed controls were in place over physical security, restricted access, tagging and sealing of items, that accountability for items can be assigned (through logs or receipts), and that high risk items are additionally secured. Tim showed us the security cameras that monitor the entry and how the room can only be accessed via his electronic key. We noted items were organized by bin number or kept in additionally secured safes. We noted all items were sealed in evidence bags

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containing bar code labels with date, case number, and description. We were shown the temporary evidence lockers, each with a pad lock inside for which only Tim has the key. Tim walked us through the New World system of logging items and how the system maintains chain of custody.

Property Room Testing

We obtained the current listing of items held in the property room via New World (County's system for tracking property). We selected items from the Asset List (current listing of items held in the property room via New World) and verified that the item existed and data in New World matched the data on the physical asset (case number, tag number, item number, description, and date received). We judgmentally selected items that appeared to be higher risk, as well as randomly selecting other, less risky items. We selected a variety of items for testing. Further, we selected items from the the property room via observation and verified that New World had record of the item, and that the data from the asset tag matched New World. We judgmentally selected items via observation that appeared to be higher risk, as well as randomly selecting other items (not knowing what they were due to their packaging).

We found a two instances in which dates in New World were slightly off from the asset tags, but the dates appeared reasonable (within one week or less due to delay in items being collected versus recorded in New World). We will pass on further review.

We also found one item that did not include a date on the item tag itself (Spillman, old system, did not print the date and they forgot to write it on the item themselves). Data from Spillman (retained) showed the date listed in New World. Because the County is now using a system that prints the date automatically, we will pass on further review.

See testing at [Property Room Review](#).

Determination

We determined the Department is maintaining proper stewardship over property held by the department.

Conclusion:

We determined the Department is maintaining proper stewardship over property held by the department.

C.6.PRG - Credit Cards

Procedure Step: Tests of Credit Cards and Accounts

Prepared By: MDR, 8/27/2018

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Reviewed By:

GLW, 8/27/2018

Record of Work Done:

Risks Identified in Planning (Accountability Audit Plan):

The County issues credit cards to approximately 20% of its employees. They have had credit cards since ~2004 and this area has never been reviewed. Potential risk that the number of credit cards awarded is not allowable per policy. Potential risk that credit card policies are not followed or do not exist. Potential risk that expenses incurred from credit cards were for unsupported and/or unallowable purchases.

Planned Procedures:

1. Select users or months (depending on risk) to review from the credit card statements.
2. Trace from the statement to the supporting documentation (receipts) to ensure that purchases were supported and for County purposes.
3. Determine propriety of credit card charges.

Work Performed:

Selection

We obtained and reviewed credit card transaction summaries from the Auditor's Office. There are 7 different credit card accounts in the County, 4 of which are through Umpqua and 3 of which are through US Bank Corp. The 7 credit card accounts belong to the following departments: Commissioners (Umpqua), Auditor (Umpqua), Public Works (US Bank Corp), Sheriff (Umpqua), E-911 (US Bank Corp), Public Health (US Bank Corp), and Planning (Umpqua). We learned that the Commissioners and Auditor's credit cards are also used by some smaller departments that do not have their own card.

We judgmentally selected the four departments with the highest spending for our testing selection:

- Commissioners
- Auditor
- Public Works
- Sheriff

We obtained the credit card statements for all 12 months in 2017 for each of the departments listed above.

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The Commissioners credit card account was opened in May 2017. We judgmentally selected the 2 highest months of purchases (August \$4,681 and November \$1,886), and from there, haphazardly selected 5 out of 19 transactions.

The Auditor credit card account was open for all 12 months of 2017. We judgmentally selected the 3 highest months of purchases (January \$2,737, May \$3,841, and October \$2,924), and from there, haphazardly selected 10 out of 35 transactions.

The Public Works credit card account was open for all 12 months of 2017. We judgmentally selected the 3 highest months of purchases (May \$6,063, August \$4,510, and November \$5,120), and from there, haphazardly selected 20 out of 74 transactions.

The Sheriff credit card account was open for all 12 months of 2017. We judgmentally selected the 3 highest months of purchases (April \$1,883, August \$2,034, and November \$1,737), and from there, haphazardly selected 10 out of 44 transactions.

Testing

We obtained and reviewed supporting documentation for our selected transactions. We tied the date and amount from the credit card statement, as well as the description. We determined whether the transaction was supported, allowable, and for the County's purpose.

See testing at [Credit-Procurement Card Transaction Testing](#).

During our review, we noted that the County does not have policies in place regarding allowable credit card expenditures. They have a general policy in their 2014 Employee Handbook that briefly goes through the process of using credit cards, but only says that the department head reviews expenditures to make sure they are acceptable. We will issue a recommendation. [E - County Policies LOR Summary](#)

Determination

In our testing, we found that the County's credit card transactions were supported, allowable, and for the County's purpose.

Conclusion:

In our testing, we found that the County's credit card transactions were supported, allowable, and for the County's purpose. No issues noted.

C.7.PRG - County Assessor Revaluation

Procedure Step: Understanding of Assessor Operations

Prepared By: MDR, 7/30/2018

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Reviewed By: DHO, 8/3/2018

Record of Work Done:

Risks Identified in Planning (Accountability Audit Plan):

The Assessor's Office has not had a review in at least the last 8 years. Revaluation of Real Property is now required, by law, to occur every 6 years. Potential risk that the County is not meeting the statutory deadline.

Planned Procedures:

1. Gain an understanding of internal controls over the Assessor's office revaluation schedule.
2. Perform testing of the Assessor's revaluation schedule (see at Real Property Revaluation Schedule).
3. Determine whether internal controls over the Assessor's office revaluation schedule are adequate.

Work Performed:

Gain an Understanding

Key Personnel:

Chris Mills, Assessor

We spoke with Chris Mills, Assessor, to gain an understanding of controls over the Real Property Revaluation Schedule.

The Assessor's Office uses two systems for Real Property Revaluation: Marshall Swift (for appraisals of buildings) and PACS (for appraisals and property tax tracking).

Marshall Swift is used for the calculation of the property's value. The appraiser inputs all features of a property into Marshall Swift, such as how many stories, whether there is a basement, when the property was built, and other applicable structural information. As changes take place with the property throughout the years, the appraiser inputs updated information into Marshall Swift, if there is any, after they perform their inspection. The value of the property will update when changes are entered.

After updating Marshall Swift, the appraiser enters the date of the inspection they just performed into PACS, along with other applicable information. PACS shows the last appraisal date, the next scheduled appraisal date, and the name of the appraiser who performed the most recent inspection. PACS generates a report of the properties that need to be inspected during a year, and properties are coded based on their

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inspection cycle (now 6 years).

At year end, the Assessor's Office runs a report to show how many properties were updated (date changed due to inspection) and compares it to the PACS report showing how many properties should have been updated as they were due for a physical inspection. This ensures that all properties are physically inspected within the required 6 year cycle.

Further, the Assessor's Office runs a gain/loss report after inspections have been completed and property values have updated to ensure that property value changes are reasonable. A report of the results of the physical inspection are also sent to the property owner, which explains that they have 30 days to let the office know if they do not agree with the assessment.

Conclusion:

Based on our review of internal controls, it appears that internal controls over the Assessor's Office revaluation schedule are adequate to ensure compliance with state law.

C.7.PRG - County Assessor Revaluation

Procedure Step: Real Property Revaluation Schedule

Prepared By: MDR, 8/6/2018

Reviewed By: DHO, 8/6/2018

Record of Work Done.*

Risks Identified in Planning (Accountability Audit Plan):

The Assessor's Office has not had a review in at least the last 8 years. Revaluation of Real Property is now required, by law, to occur every 6 years. Potential risk that the County is not meeting the statutory deadline.

Planned Procedures:

1. Gain an understanding of internal controls over the Assessor's office revaluation schedule (see at Understanding of Assessor Operations).
2. Select a list of properties last assessed in 2010. Determine whether they were revaluated no later than calendar year 2017. Review for

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indication that the revaluation actual took place (assessor notes, date and time stamps, etc).

3. Determine whether the Assessor's Office complied with their revaluation schedule.

Work Performed:

Gain an Understanding

We spoke with Chris Mills, Assessor to gain an understanding of internal controls over the Real Property Revaluation Schedule. See at [Understanding of Assessor Operations](#).

Revaluation Testing

We obtained a list of properties for which physical inspections for revaluation took place in 2010. To be compliant with state law, the County would be expected to revalue these properties within 6 years, or *before* 2017. Because each individual property listing is representative of the population, we haphazardly selected 35 properties from the list to review. We obtained and reviewed supporting documentation showing the the revaluation actually took place, including appraiser worksheets that included notes, red marks (indicating no change), and comments. To determine that the revaluation took place within the required timeframe, we reviewed the property value change date in Marshall Swift (appraisal software). The software tracks all changes made to a property, and property values are updated when inspections take place.

We found that all properties selected for testing were revalued within 6 years, with no issues noted.

See testing at [Real Property Revaluation Testing](#).

Determination

We determined that all selected properties complied with revaluation schedule requirements per RCW 84.41.030.

Conclusion:

We determined that the Assessor's Office complied with their revaluation schedule, with no issues noted.

C.8.PRG - Self-Insurance - Unemployment

Procedure Step: Self-Insurance of Unemployment Compensation Risks

Prepared By: MDR, 7/31/2018

Reviewed By: DHO, 7/31/2018

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Record of Work Done.

Risks Identified in Planning ,(Accountability Audit Plan):

Review of Self Insurance occurs on a two-year cycle. This area was not reviewed in FY16, so we will review it for FY17. Potential risk that the County does not maintain sufficient funds to cover potential claims.

Planned Procedures:

1. Use the TMT testing program/workpaper to determine whether the County has self-insurance.
2. To determine if the local government's individual self-insurance program meets statutory requirements, **perform** the following procedures:
 - Review unemployment self-insurance information reported on Schedule 21 to gain an initial understanding of claims and payment trends.
 - Gain an understanding of controls over the entities program and funding plan or budgeting procedures. Auditors may also consider testing controls.
 - Inquire if taxable or reimbursable status has changed and has been approved by Employment Security. NOTE: the entity may have been on a reimbursable basis for several years and would not have a recent approval; however, the entity should be able to show you some kind of evidence that they only pay for claims after they happen, such as being billed from ESD for actual claims rather than paying based on a tax rate.
 - Inquire if an audit has been performed by the Employment Security and obtain audit report. Note: The Employment Security Department only audits on a random cycle, or if problems have been reported. Auditors should consider any ESD audit findings and follow up on their status.
 - Evaluate claims payment trends to determine if the entity's funding plan, budgeting process, or other practices sufficiently account for reasonably expected claims activity. If the entity has formal policies over unemployment compensation practices, we should consider evaluating compliance with those policies.

Work Performed:

TMT Workpaper

We obtained the filled in the TMT workpaper for determining whether the County has self-insurance. We found that the County self-insures for

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unemployment only. See at Self-Insurance Assessment.

TMT Procedures

We obtained and reviewed the self-insurance information reported on Schedule 21 to gain an initial understanding of claims and payment trends. We spoke with Sharon Richter, Auditor, who explained that the County pays unemployment claims only when they are billed by ESD for such claims. Further, she explained that the County had accumulated so much money in their Unemployment Compensation fund that the County no longer collects amounts to be put into this fund. With the infrequency in which they receive billings for filed claims, and with the interest that accrues on the balance every year, the County's fund balance has remained steady for over a decade (per Sharon). The fund balance is currently \$294,993.

We obtained the 2017 ESD Billings to ensure the County is paying for actual claims rather than paying based on a tax rate. We found that the County only received one ESD Billing in 2017 (3rd Quarter ending Sept 30, 2017 for \$4,590; Lisa Barber).

We inquired about any recent ESD audits and were told that none have been performed recently. We inquired about any unemployment compensation policies and were told that the County does not have any policies in place.

Taking all the above information into account, we determined that the County has adequate internal controls to fund future unemployment claims.

Conclusion:

During our review, we determined that the County has adequate internal controls to fund future unemployment claims.

D.1.PRG - Baseline Testing

Procedure Step: Cash Flow Reconciliation

Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/28/2018

Record of Work Done.:

Data and Expectations:

We obtained statements for each bank or county treasurer account for each month of the period and input figures for each account on the

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attached spreadsheet (Cash Flow Reconciliation (Bank) - Schedule 7 and 11).

Based on auditor judgment and considering both the nature of the government's transactions and the planned level of work to identify potential reconciling items:

We expect that reported **beginning cash** should **match exactly** to the prior year financial statements (after any differences in rounding conventions between years).

- We found that beginning cash matched exactly after taking into account that the County is now required to report Investment Trust Funds for Special Purpose Districts.

We expect to be able to reconcile reported **revenues/non-revenues** to cash deposits to within **2%**. The expected range represents an estimated reasonable allowance for the following potential reconciling items that we did not include in our reconciliation: Unidentified bank transfers, Voided warrants, and NSF checks.

- We found that revenues/non-revenues reconciled to within 2% (specifically 1.13%) after taking into account that the County is now required to report Investment Trust Funds for Special Purpose Districts.

We expect to be able to reconcile reported **expenditures/non-expenditures** to cash withdrawals to within **2%**. The expected range represents an estimated reasonable allowance for the following potential reconciling items that we did not include in our reconciliation: Unidentified bank transfers, Voided warrants, and NSF checks.

- We found that expenditures/non-expenditures reconciled to within 2% (specifically 0.21%) after taking into account that the County is now required to report Investment Trust Funds for Special Purpose Districts.

We expect that reported **ending cash** should reconcile to ending balances per bank/treasurer statements to **within 2%**.

- We found that ending cash reconciled to within 2% (specifically 1.56%) after taking into account that the County is now required to report Investment Trust Funds for Special Purpose Districts.

Reconciliation Results:

We reconciled beginning cash **exactly** and revenues/non-revenues, expenditures/non-expenditures, and ending cash to **within 2%** at Cash Flow Reconciliation (Bank) - Schedule 7 and 11 after taking into account that Investment Trust Funds for Special Purpose Districts are now required to be reported.

D.1.PRG - Baseline Testing

Procedure Step: Yellow Flag Report

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Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/27/2018

Record of Work Done.

We reviewed the LGCS Yellow Flag report for various edits checks on whether data underlying the financial statements and schedules are internally consistent and correctly classified. As detailed in Yellow Flag Report, we found the following issues to follow up on:

Schedule 9 - Beginning Outstanding Debt Check

Variance of \$3,366,285 due to the County not including the prior year ending Pension Liability balance in the current year beginning balance.

Upon inquiry with Sharon Richter, Auditor, we learned that she did not include the PY Ending Pension Liability Balance in the CY Beginning Balance because she did not think she needed to. She stated that the amount was for the prior year and it did not need to be carried over.

Per the BARS Cash Basis Manual, the beginning pension liability balance should equal the prior year ending pension liability balance. We will issue a recommendation and add this issue to the AOM. ML - Pension Liability Balance Final LOR Summary Aggregation of Misstatements (BARS Cash)

Schedule 1 - Beginning Fund Balance Check

Variance of \$(7,963,297) due to various fund balances that were included in the prior year ending but were not included in the current year beginning balances. Those funds are as follows:

- 601 State Tax
- 611 State REET
- 616 Treasurer's Trust
- 623 Marriage License Fees
- 624 Surveys and Maps
- 625 Certified Copies Suspense
- 628 State Buidling Code
- 629 Archives

Variance also due to the County including fund balances in the current year beginning that were not included in the prior year ending balances. Those funds are as follows:

- 631 State Tax (601)
- 632 State REET (611)
- 633 Col Co Public Transpotation District

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- 634 Treasurer's Trust (616)
- 635 Marriage License Fee (623)
- 639 Surveys and Maps (624)
- 645 Certified Copies Suspense (625)
- 646 State Building Code (646)
- 647 Archives (629)
- 648 Prescott Park and Recreation Dist (620)
- 650 Port of Columbia
- 652 Col Co Public Hospital District
- 655 Col Co Fire Protection Dist #1
- 657 Col Co Fire Protection Dist #2
- 658 Col Co Fire Protection Dist #3
- 659 Col Co Rural Library
- 660 Dayton School District #2
- 662 Starbuck School District #35
- 664 Prescott School District #402-37
- 668 Waitsburg School District #401-100
- 686 West End Ditch
- 687 Hearn Ditch
- 690 Fire Patrol
- 698 City of Dayton (613)

We inquired further with Sharon Richter, Auditor, about the Beginning Fund Balance variance. We learned that the County changed the account codes for State Tax, State REET, Treasurer's Trust, Marriage License Fees, Surveys and Maps, Certified Copies Suspense, State Building Code, and Archive accounts. We noted that all accounts were switched over with new account codes. Further, as of 2017 FS, all Investment Trust Funds for Special Purpose Districts must now be reported on the County's FS. We noted that the accounts on the C5 in 2016 were still on the C5 in 2017, as well as the Special Purpose District Investment Trust Funds. This explains the Beginning Fund Balance variance (see above). No issues noted.

We also reviewed the LGCS Yellow Flag report for confirmations of certain revenues to the Office of State Treasurer reported amounts. This test represents a third-party confirmation covering all assertions (existence, completeness, rights & obligations, valuation and classification) for these revenues which represent less than 1% of total reported revenues on the C4 Statement (\$9,455 / \$12,530,242). As detailed in [Yellow Flag Report](#), we found no issues to follow up on.

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D.2.PRG - Review Presentation & Disclosure

Procedure Step: Related Party Transactions
Prepared By: MDR, 8/23/2018
Reviewed By: DHO, 8/27/2018

Record of Work Done:

STEP 1: Controls over Related Party Transactions:

Per our discussion with Sharon Richter, County Auditor she explained that due to the small size of the communities located within Columbia County, related party transactions would be easy to identify during the voucher approval process. She also explained that during her year-end review of the vendor payment summary report she would be able to identify any related party transactions.

STEP 2: Identification of Related Parties:

Based on general procedures performed during the course of the audit, we updated our identification of related parties as documented in the permanent file BARS Cash Basis.

STEP 3: Identification of Related Party Transactions:

Based on general procedures performed during the course of the audit, we identified **no** related parties that had non-trivial transactions with the government during the period.

STEP 4: Evaluation of Transactions and Disclosures:

Not applicable, we did not identify any non-trivial related party transactions.

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Management override of controls
Prepared By: MDR, 8/23/2018
Reviewed By: DHO, 8/27/2018

Columbia County

Record of Work Done.

Year End Adjusting Journal Entries:

Not applicable. There were no year-end adjusting journal entries.

Journal Entries throughout the Period:

Based on our risk assessment and understanding, we determined that testing of journal entries throughout the period (in addition to any testing performed in other sections of the audit) is necessary.

- We updated our understanding of controls over year-end adjusting journal entries at BARS Cash Basis.
- We obtained and reviewed the 2017 journal entry binder. We identified 71 adjusting entries totaling \$305,923.13 which appeared to be for correcting BARS codes, payroll corrections, and various other corrections. All of the entries appeared to be supported by vouchers, invoices and other supporting documentation.
 - We judgementally selected all adjustments greater than \$2,000 for review (12 transactions totaling \$277,992.55 or 91% of all adjustments). Testing can be seen at JE Testing.
- Based on our review, the journal entries appear reasonable and were properly supported.

Evaluation of Estimates for Biases:

In accordance with the entity's cash basis of accounting, we identified no significant accounting estimates or risk of estimation bias.

Unusual or Extraordinary Transactions:

We did not identify any unusual or extraordinary transactions.

Other Testing:

We determined that no other testing was necessary.

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Going Concern

Prepared By: MDR, 8/23/2018

Reviewed By: DHO, 8/27/2018

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Record of Work Done.

STEP 1: Conditions or Issues Noted:

We identified **no** conditions, events or issues that (individually or in aggregate) indicate there could be a substantial doubt about the ability to continue as a going concern for a reasonable period of time.

See work performed at [Financial Intelligence Tool](#). and documented here ([Planning Analytical Procedures](#)).

STEP 2: Evaluation of Noted Conditions or Issues

Not applicable.

STEP 3: Going Concern Conclusion

We concluded that there is **no** substantial doubt about the government's ability to continue as a going concern.

STEP 4: Review Financial Reporting

Not applicable.

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Implementation of BARS Changes

Prepared By: MDR, 8/24/2018

Reviewed By: DHO, 8/27/2018

Record of Work Done.

REQUIRED PROCEDURES:

To determine whether major BARS changes have been properly implemented, auditors are required to perform the following procedures, as applicable, in the year of implementation:

Updated annual report filings (applicable FY 2016 and thereafter, early implementation encouraged)

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- The BARS manual now requires cities and counties to provide a BARS code for redemption and specific ID Numbers of debt related to streets/roads to accommodate the DOT Annual Street/Road Finance Report.
- Fund Resources and Uses Arising from Cash Transactions (C-4) subcategories were revised and two sections below revenues and expenditures were rearranged to provide greater clarity and state-wide comparability.

During planning we noted the County used an incorrect BARS code ([Planning Analytical Procedures](#)). We discovered that the revenues were coded incorrectly to 386 rather than 389, leaving County revenues misstated by approximately \$30M. The expenditure side appears to be coded correctly via the BARS Manual. We added this to our Aggregation of Misstatements ([Aggregation of Misstatements \(BARS Cash\)](#)), Level of Recommendation [LOR Summary](#) and issued a recommendation here ([FS Reporting Misstatement](#)). We obtained and reviewed the corrected Schedule 1 and noted \$31,226,294 coded to 389 and \$34,340,619 million coded to 589. The County is using the new BARS coding to identify agency remittances. Please note that the Investment Trust Funds for Special Purpose Districts are now required to be reported under these account codes.

Accounts 386, Agency Deposits and 389, Other nonrevenues were pools and rearranged into

- o 38910, *Refundable Deposits*,
- o 38920, *Retainage Deposits*,
- o 38930, *Agency Type Collections*,
- o 38940, *Agency Type Deposits*,
- o 38960, *Agency Type Interest Earnings*, and
- o 38990, *Other Custodial Activities*.

Accounts 586 (1) and 589, *Other Nonexpenditures* were pooled and rearranged into:

- o 58910, *Refunds of Deposits*,
- o 58920, *Refund of Retainage*,
- o 58930, *Agency Type Remittances*,
- o 58940, *Agency Type Disbursements*, and
- o 58990, *Other Custodial Activities*.

*To better identify custodial activities in recording receipts and disbursements from fiduciary funds as well as any custodial activity reported in other fund types for **all non-court related items**.*

- Online Filing system now verifies balance sheet/statement of net position minimum variance requirements within \$1,000 to file report.

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- The 2016 BARS manual contains numerous changes to account codes. While financial statements did not change significantly, some reclassifications will affect this level. Auditors will notice a lot more reclassifications at the GL level. See link for complete list of changes within the chart of accounts, accounting, reporting, and online filing sections:
www.sao.wa.gov/local/BarsManual/Cash/Pages/Overview-of-Significant-Changes.aspx

Updated annual report filings (applicable FY 2015 and thereafter, early implementation encouraged)

- Reporting requirement for Note X – Pension Plans for cash basis local governments to report their pension related liabilities in the new note and on their Schedule 09. [We reviewed the notes to the financial statements and verified they were updated accordingly.](#)
- Reporting requirements for Note X – Debt Service Requirements changed from reporting by debt type to reporting principal, interest and total amount. Also, if applicable, required to provide disclosure regarding their refunding and debt guaranty activities. [We reviewed the notes to the financial statements and verified they were updated accordingly.](#)

Updated annual report filings (applicable FY 2014 and thereafter, early implementation encouraged)

- The 2014 BARS manual contains numerous changes to account codes as part of a major restricting process. While financial statements did not change significantly, some reclassifications will affect this level. Auditors will notice a lot more reclassifications at the GL level. Also, although debt limit remains a compliance requirement, the 2014 BARS manual no longer requires Schedule 10 (calculation of limit) as part of the annual report. This was moved to accounting guidance section. [Not applicable. The County does not submit a Schedule 10.](#)

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Implementation of Pension Changes

Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/27/2018

Record of Work Done.:

STEP 1: Determine the type of pension plan(s) in which the employer participates.

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The County participates the following defined benefit plans:

- PERS 1
- PERS 2/3
- LEOFF 1
- LEOFF 2

STEP 2 for State sponsored plans: Reference central work and get figures from PEFI.

We obtained the allocation percentages from the PEFI and recalculated pension amounts for the employer at [GASB 68 Testing - FYE 12-31-2017](#). No exceptions noted.

STEP 3 for State sponsored plans: Compare amount reported on Schedule 9 with recalculated amounts from the PEFI.

We compared amount reported on Schedule 9 for Pension Liabilities of \$2,147,076 with recalculated amounts from the PEFI at [GASB 68 Testing - FYE 12-31-2017](#) and noted amounts tied. No exceptions noted.

STEP 4 for single-employer (local) plans: trace pension amounts reported in Schedule 9 to supporting evidence.

Not applicable. The County does not have single-employer plans.

STEP 5 for all defined benefit plans: Review note disclosures for accuracy and completeness.

We compared the pension note disclosure to the sample cash-basis pension note in the [BARS Manual](#) for minimum required disclosures and noted all required elements were included.

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Statements & Notes

Prepared By: MDR, 9/12/2018

Reviewed By: DHO, 9/19/2018

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Record of Work Done:

Review Presentation of Statements Columbia County FS

We have checked that the following statements and schedules have been prepared

- a Statement C4, C5 for fiduciary funds,
 - a Schedule of Liabilities,
 - a Schedule of Expenditures of Federal Awards
 - any other supplementary schedules
-
- We reviewed the C4 and all funds required to be presented within the C4 statement have been included.
 - We reviewed the County's funds and based on our review fund classification appears to be appropriate.
 - Statements were obtained from LGCS, therefore presentation matches the BARS manual.
 - Statements were obtained from LGCS. We reviewed the Yellow Flag Report at [Yellow Flag Report](#).

Agree Statements to Accounting Records

- We obtained the County's 12/31/2017 general ledger from Sharon Richter, County Auditor. We tied revenues and expenditures from the C4 Statement for all County funds. We were able to materially tie the balances to the general ledger with an immaterial difference of less than 0.1 percent.
- We tied the Revenues and Other Decreases & Financing Uses from the C5 statement for all County funds. We were able to materially tie the balances to the general ledger with no issues noted.

Review Note Disclosures

Scan notes to check for the following. Refer to the applicable BARS manual for guidance.

- Missing disclosures. [We noted no missing disclosures.](#)
- Disclosures that haven't been updated from the prior year. [We did not identify any disclosures that were not updated from the prior year.](#)
- Information consistent with audit results and known activities and events. [We reviewed and noted that information was consistent with audit results and known activities and events.](#)
- Check footing of tables and agree amounts or totals from the notes to the financial statements or underlying accounting records. [We verified amounts agree from the notes to the financial statements.](#)

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- Determine whether the disclosed information is clearly expressed (understandable, rather than confusing or misleading). [Based on review, we determined disclosed information is clearly expressed.](#)

D.2.PRG - Review Presentation & Disclosure

Procedure Step: SI and OI
Prepared By: MDR, 9/12/2018
Reviewed By: DHO, 9/19/2018

Record of Work Done:

Schedule of Liabilities (Schedule 9) Columbia County FS

- Obtain an understanding of the preparation process, specifically:
 - Methods of preparing the information (such as calculations for compensated absences)
 - [The County Treasurer is responsible for preparing the Schedule 09. A majority of the liability balances are determined by the County Treasurer, she uses bank prepared amortization schedules and payment information from the GL to calculate the amounts reported.](#)
 - [The Deputy County Auditor is responsible for calculating compensated absences. The County calculates compensated absences based on the amount that would be required for cash out if the employee were to use all of their banked sick and vacation time.](#)
 - Whether methods have changed from the prior year and if so, the reasons for the change. [Per our inquiry with Sharon Richter, County Auditor the methods have not changed from the prior year.](#)
 - Any significant assumptions or interpretations underlying the measurement of this information.
 - [Compensated absences are calculated by the County Auditor who bases this on total absence balances that would be required to be cashed out if all employees used all their sick and vacation time during the year.](#)
 - This schedule is required and defined by the BARS Manual. Therefore, our understanding about the purpose of supplementary information and criteria for preparing it cited in the Policy / Standards tab.

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- Based on BARS Manual requirements for the schedule and Audit Reporting Standards Manual requirements for our report, conditions required by AU-C 725.05 are determined to be met.
- If statements were obtained from LGCS (that is, generated by online filing), presentation will match the BARS manual, contain valid classifications and foot. Otherwise, manually determine proper presentation. [Statements were obtained from LGCS.](#)
- If statements were obtained from LGCS, use the Yellow Flag report to compare to prior year and other financial statement relationships. Otherwise, check these relationships manually. [We reviewed the Yellow Flag report at Yellow Flag Report.](#)
- Trace figures to the underlying accounting and other records.
 - [We traced General Obligations reported on Schedule 9 to amortization tables without exception.](#)
 - [We traced Compensated Absences reported on Schedule 9 to the Vacation Sick Accrual spreadsheet which is prepared annually by Cathy Abel, Deputy Auditor to track compensated absences for the County without exception.](#)
 - [We traced Pension Liabilities report on Schedule 9 to the PEFI and recalculated amounts using the Pension Tool without exception. Originally the Pension Liabilities beginning balance was omitted from the FS \(which has now been corrected\), and beginning liabilities were understated. We will issue a recommendation. ML - Pension Liability Balance Final](#)
- Read the schedule, considering results of procedures performed and knowledge obtained during the audit.
- **Consider** further testing based on assessed risk, such as recalculating selected liabilities or performing discovery tests to determine if all applicable liabilities were included on the schedule.

Materiality used for testing would be the same level determined in planning for the financial statements taken as a whole.

Schedule of Expenditures of Federal Awards (Schedule 16)

This schedule is only required to be included as a supplemental schedule if a Single Audit is also being done. See the Planning & Audit Plan | Planning | Single Audit Planning | Schedule of Expenditures of Federal Awards step at [Single Audit Planning - Uniform Guidance Audits](#).

D.2.PRG - Review Presentation & Disclosure

Procedure Step: Consistency of Statements

Prepared By: MDR, 8/23/2018

Reviewed By: DHO, 9/7/2018

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Record of Work Done:

Based on review of note disclosures and procedures performed during the course of the audit, we noted the following:

New Standards

Financial statements reflect implementation of **the following** new accounting standards:

- Entities are now (as of 2017 statements) required to report Investment Trust Funds for Special Purpose Districts on their FS. Upon review, the FS appear to reflect this new accounting standard, including the proper note disclosure. No issues noted.

Other Changes in Accounting Principle

Financial statements reflect **no** other changes in accounting principles.

Changes in Reporting Entity

Financial statements reflect **no** changes in the reporting entity.

Prior Period Adjustments

Financial statements reflect **the following** prior period adjustments:

- Beginning Cash and Investments prior period adjustment of \$9,444. Upon inquiry with Sharon Richter, Auditor, we were told that this adjustment was due to a payroll error that occurred in 2016 that they did not catch in time to adjust on the 2016 statements. Because this amount is immaterial to the FS, we will pass on further review.

Significant Changes in Classification

We identified **no** significant changes in classification from prior financial statements.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: Subsequent Events

Prepared By: MDR, 9/12/2018

Reviewed By: DHO, 9/19/2018

Columbia County

Record of Work Done:

STEP 1: Controls over Subsequent Events:

We met with Sharon Richter, Auditor to gain an understanding of procedures used to identify subsequent events.

Sharon stated that she completes a detailed review of all year-end transactions. In addition, she performs a detailed comparison of the previous year's reports to the current reports to ensure information is reported in the appropriate year.

Next, she stated that if she identified an event or transaction that could be considered subsequent that she would consult the SAO helpdesk or SAO staff during the audit. Finally, she indicated that any potential subsequent events would be discussed with the Commissioners.

STEP 2: Identification of Subsequent Events:

In addition to general procedures performed during the course of the audit, we performed the following procedures to identify potential subsequent events affecting any component of the government or part of the financial audit (report, statements, notes, SI or OI):

- Updated our review of minutes up to 8/7/18 as documented at [Columbia County Subsequent Minutes Review](#).
- Following 8/7/18, we reviewed minutes for 8/8/18, 8/10/18, 8/16/18, 8/17/18, 8/20/17, 8/23/18, and 9/4/18 and noted that normal business was conducted. No subsequent events to report.
- Updated our review of Other Engagements & FAWF up to August 2017 as documented at [BARS Cash Basis Planning](#).
- Inquired about any significant changes, events or transactions occurring after year-end with Sharon Richter, Auditor on July 3, 2018.
- The government does not prepare interim financial statements.

We identified **no** subsequent events affecting the financial audit.

STEP 3: Evaluation of Transactions and Disclosures:

We did not identify any subsequent events.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: Litigation, Claims & Assessments

Prepared By: MDR, 9/14/2018

Reviewed By: DHO, 9/19/2018

Columbia County

Record of Work Done:

List of Legal Matters:

We noted that management does not utilize in-house legal counsel. We requested a list of legal matters from Rea Culwell, Prosecutor. Our request is documented in Legal Matters Inquiry Letter and management's response is documented in Response to Legal Matters Inquiry.

We reviewed and evaluated the list and noted **no** matters that required additional clarification or follow-up procedures.

Other Audit Procedures to Identify Legal Matters:

We were alert for indications of legal matters during the course of the audit including during our review of minutes, review of FAWF items, and other procedures.

We also compared the list of legal matters and description of the use of outside attorneys to legal expenses coded to 515.30 on the financial statements.

Based on our review, the trend appears reasonable. Further, the potential claim noted is not material and will likely be covered by the County's insurance. No issues noted, pass on further review.

Attorney Letter:

Based on the County's response and other audit procedures performed, no legal matters have been identified. It does not appear necessary to further obtain an attorney letter.

Reporting & Disclosure of Liabilities and Contingencies:

Only one liability was disclosed in the Legal Matters letter. The matter is below our materiality limit no disclosure is needed.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: Final Analytical Procedures

Prepared By: MDR, 9/6/2018

Reviewed By: DHO, 9/7/2018

Columbia County

Record of Work Done.:

As part of our final analytical procedures, we considered:

- Misstatements identified by the audit.
- Adequacy of evidence obtained for significant risks or for any unusual or unexpected balances identified in planning or during fieldwork.
- Whether there were any previously unidentified unusual or unexpected balances or relationships in the final draft financial statements.

We identified **no** unexpected items that need further investigation.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: Aggregation of Misstatements

Prepared By: MDR, 9/5/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done.:

STEP 1: Accumulation of Misstatements

During the course of our audit, we gained an understanding of and accumulated all known and likely misstatements above the floor as documented in Aggregation of Misstatements (BARS Cash).

STEP 2: Communication of Identified Misstatements

We discussed and requested correction of all identified misstatements with Sharon Richter, Auditor during our audit in August 2017.

STEP 3: Reconsideration of Planning

We re-considered planning decisions based on initial audit results, specifically considering whether any accumulated results affect our risk assessment or indicate previously unrecognized risks, including risks of fraud. We concluded that no changes to planning decisions were needed

Columbia County

STEP 4: Evaluation of Impact of Uncorrected Misstatements on the Report

There were no uncorrected misstatements.

STEP 5: Communication of Uncorrected Misstatements

We communicated about misstatements as part of our representation letter request and exit conference as documented in those steps.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: Changes to FS Audit Plan

Prepared By: MDR, 8/28/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done:

Based on additional information obtained throughout the audit, we re-evaluated:

- Materiality and tolerable misstatement
- Significant risks, including risk of fraud
- Material balances, relevant assertions and our description of what could go wrong
- Material systems
- Control Risk, Inherent Risk and the Risk of Material Misstatement
- Other elements of our overall audit strategy, such as scope and needed resources

We made **no** substantive changes to the plan

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Summary & Report

Prepared By: MDR, 9/13/2018

Reviewed By: DHO, 9/19/2018

Columbia County

Record of Work Done:

(1) Evaluation of Evidence Obtained and Audit Risk

We determined that sufficient, appropriate audit evidence was obtained and documented in order to support our audit report and reduce audit risk to an appropriately low level. In making this determination, we:

- **Completion of work:** checked that all work necessary to support our opinion was completed.
- **Identified risks:** checked that risks identified in planning were adequately addressed by documented audit procedures.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.

(2) Financial Statement Audit Report

We analyzed accumulated misstatements in the Aggregation of Misstatements step and accumulated control weaknesses in the attached LOR Summary. Based on our audit and consideration of results at both individual and aggregate levels, we made the following conclusions that will be reflected in our audit report:

Opinion on Fair Presentation of Statements (F report):

Our opinion on the fair presentation of financial statements will be: **unmodified for all opinion units.**

Opinion on Fair Presentation of Other Information (F report):

Our opinion on the fair presentation of all other information will be: **unmodified.**

Explanatory and Emphasis Paragraphs (F report):

We determined that **no explanatory paragraphs were necessary.**

In addition, we decided that **the following matters needed emphasis** in our audit report: Counties are now required to report Special Purpose District Funds on their financial statements, which affects the comparability of financial statements from 2016 to 2017.

Controls over Financial Reporting (I report):

We evaluated all identified deficiencies individually and in combination and noted **no significant deficiencies and material weaknesses in controls** over financial reporting.

We noted **the following deficiencies reported as management letters** that will be referenced in our financial report:

Columbia County

- We found an omission that resulted in a \$3.36M understatement of beginning liabilities. This is considered a significant deficiency in controls. See at Yellow Flag Report.

Compliance and Other Matters (I report):

We noted **no material instances of noncompliance, fraud or abuse** that impact the financial statements as a finding and **no compliance matters reported as management letters** that will be referenced in our financial report.

(3) Report Preparation & Distribution:

In preparing the report, we:

- Routed Findings and Management Letters to the appropriate personnel, as applicable.
- Prepared the audit report using ORCA and the ARS manual:
 - Reviewed the draft report using the report review checklist at Report Review Checklist.
 - Compared the draft report to the prior year report for consistency. Differences noted, if any, were fully investigated to ensure the current report is correct.
 - Compared the draft report to the ARS manual templates and instructions to ensure the report has the appropriate information and details.
- Reviewed report distribution in ARTS to ensure standard distribution and distribution to any additional parties that may need to be informed of the audit.

Report preparation, technical report review, issuance, distribution, report date and the final official version of the report are documented in ORCA and the ARTS database.

Report distribution will not be limited. The report will be distributed publicly by publishing on our website. Links to the published report will be sent to the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate, and additionally to any parties with applicable subscriptions.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: GAAP Opinion Summary

Prepared By: MDR, 9/6/2018

Reviewed By: GLW, 9/10/2018

Columbia County

Record of Work Done:

Evaluation of Evidence and Audit Risk

We evaluated our risk assessment, testing and conclusions - including our aggregation of misstatements - as a basis for our modified GAAP opinion, considering identified departures from GAAP as described below.

We determined that our audit work provides a sufficient basis on which to render a modified GAAP opinion. No further procedures are considered necessary.

Departures from GAAP

We reviewed the summary of significant accounting policies in the notes to determine whether description of accounting policies and how the special purpose framework differs from GAAP was adequately described. Based on our testing and review of presentation & disclosure, we confirmed the following non-trivial departures from GAAP:

- Statements are presented on a cash basis
- All funds are presented rather than a focus on major funds
- Ending balances are not presented using classifications defined by GAAP

Determine Opinion based on GAAP

Based on our audit, we considered materiality by opinion unit and made the following conclusions that will be reflected in our audit report:

Our opinion on the fair presentation of financial statements in accordance with GAAP will be **adverse for all opinion units**. Our opinion will not address the lack of government-wide statements and RSI since these are not required by the BARS Manual.

We determined that **no variances from the ARS manual example are needed**.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Letter of Representation

Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/28/2018

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Record of Work Done.:

See at Concluding Accountability Audit Procedures.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Exit Conference

Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/28/2018

Record of Work Done.:

See at Concluding Accountability Audit Procedures.

D.3.PRG - Concluding Financial Audit Procedures

Procedure Step: FS Quality Control Assurance Certification

Prepared By: MDR, 9/6/2018

Reviewed By: GLW, 9/10/2018

Record of Work Done.:

Quality Control Assurance Certification

*The certification should be signed-off **before** the Financial Statement report is issued.*

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this

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audit (Audit Policy 3110).

2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure audit objectives were achieved (Audit Policy 3210).
10. In planning the financial statement audit, all planning steps in TeamMate were completed and documented (Audit Policy 6210).
11. All concluding audit steps in TeamMate were completed and documented (Audit Policy series 6400).
12. All government elected officials or the audit committee members were invited to official entrance and exit conferences in accordance with Audit Policy 2130.
13. An entrance conference was conducted in accordance with Audit Policies 2130 and 2210.
14. An exit conference was conducted in accordance with Audit Policies 2130 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).

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2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director of State and Local Audit or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director of State and Local Audit or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.
6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: Subsequent Events
Prepared By: MDR, 9/12/2018
Reviewed By: DHO, 9/19/2018

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Record of Work Done.

In addition to general procedures performed during the course of the audit, we performed the following procedures to identify potential subsequent events affecting any component of the government or aspect of the single audit:

- Updated our review of minutes up to 8/7/18 as documented at [Columbia County Subsequent Minutes Review](#)
- Following 8/7/18, we reviewed minutes for 8/8/18, 8/10/18, 8/16/18, 8/17/18, 8/20/17, 8/23/18, and 9/4/18 and noted that normal business was conducted. No subsequent events to report.
- Updated our review of Other Engagements & FAWF up to July 19, 2018 as documented in the planning step [Other Engagements & FAWF](#).
- Inquired about any relevant investigations or reports issued during the subsequent period by internal auditors, other auditors, and grantors or pass-through agencies with Sharon Richter, Auditor on July 3, 2018.

We identified no subsequent events.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: Prior Federal Findings

Prepared By: MDR, 7/19/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done.

1. We identified the following prior audit findings from the previous audit report (including those reported as prior audit findings that were not fully resolved) requiring follow-up in the current audit. Results of follow-up procedures were performed in conjunction with:
 - Major Program(s) - None
 - Non-major program(s) - None
 - Financial Statement Audit - None

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior or unresolved financial or federal single audit findings requiring follow-up.

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E.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Summary & Report

Prepared By: MDR, 9/5/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done:

(1) Evaluation of Evidence Obtained

We determined that sufficient, appropriate evidence was obtained and documented in order to support our audit report. In making this determination, we:

- **Completion of work:** checked that all work was complete.
- **Audit evidence:** considered quality and amount of audit evidence, in relation to identified risks.
- **Communication with governing body:** considered sufficiency and effectiveness of our communication with management and those charged with governance.
- **Changes:** we ensured that the required percentage of federal expenditures coverage is met - we tested the following major programs which equals 74% of the total federal expenditures.

(2) Single Audit Report

We analyzed accumulated issues in the attached LOR Summary. Based on our audit and consideration of results at both individual and aggregate levels, we determined reporting level of audit issues and determined content of our audit report. A spreadsheet for each major program was completed, which summarizes the audit results:

Major Federal Program - Local teams

(3) Report Preparation & Distribution:

Report preparation, technical report review, issuance, distribution, and the final official version of the report is documented in ORCA and the ARTS database.

Standard report distribution will include the audit liaison (on behalf of the government's management and governing body), representatives of oversight bodies and other officials as appropriate. Report distribution will not be limited. The report will be published on our website and further

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distributed by email to any parties with applicable subscriptions.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: Corrective Action Plans

Prepared By: MDR, 9/13/2018

Reviewed By: DHO, 9/19/2018

Record of Work Done.:

For each financial or single audit finding, auditors are **required** to:

- Enter the current year finding reference number(s) and caption(s) in the template, provide the auditee with a copy of the template, and instruct them to fill out the remaining sections. The template is available in the Store in the Single Audit cabinet (Work Papers/Concluding Single Audit Procedures folder). The template is also in ORCA.

We obtained the corrective action plan template from TMT, filled in the finding reference numbers and captions, and provided a copy to the auditee. See at [Template - Corrective Action Plan](#).

- Check the corrective action plan to ensure it is complete.

We received the completed template from the auditee (see at [PW Finding Response - Columbia County](#) page 2) and verified that it is complete.

- Insert (copy/paste) the completed template into the audit report.

We put the completed finding template into the audit report.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: Review Finding Response

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Prepared By: MDR, 9/13/2018

Reviewed By: DHO, 9/19/2018

Record of Work Done:

Obtaining the views of responsible officials:

We presented the draft finding to Lisa Ronnberg, PW Business Manager/Interim Director on 9/7/18 ([Template - Finding](#)).

We requested a response from Lisa Ronnberg on 9/7/18 as documented in [Request for Finding Response](#).

Evaluating the response:

We obtained the response as documented in [PW Finding Response - Columbia County](#). We reviewed it and noted:

- No new evidence was presented.
- No information that was contradictory or inconsistent with facts presented in our finding.
- No new perspectives were shared that would cause us to re-consider our description of the condition, cause, effect or recommendation.

We developed the Auditor's Response section of our finding based on this evaluation.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Letter of Representation

Prepared By: MDR, 9/6/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done:

See work performed at [AC Letter of Representation](#).

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E.1.PRG - Concluding Single Audit Procedures

Procedure Step: SA Exit Conference
Prepared By: MDR, 9/12/2018
Reviewed By: DHO, 9/19/2018

Record of Work Done.:

Single audit results were communicated with management and those charged with governance at the financial statement exit conference – see AC Exit Conference for details.

E.1.PRG - Concluding Single Audit Procedures

Procedure Step: Data Collection Form
Prepared By: MDR, 9/19/2018
Reviewed By: DHO, 9/19/2018

Record of Work Done.:

1. Date completed:

AIC: 9/13/2018 12:15:49 PM
AAM: 9/19/18 Will complete process when audit report is published.

E.1.PRG - Concluding Single Audit Procedures

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Procedure Step: SA Quality Control Assurance Certification

Prepared By: MDR, 9/6/2018

Reviewed By: GLW, 9/7/2018

Record of Work Done:

Quality Control Assurance Certification

*The certification should be signed-off **before** the Single Audit report is issued.*

Auditor in Charge Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I informed assistants, if any, of responsibilities and objectives of the procedures they were planned to perform and all relevant information related to those responsibilities (Audit Policy 3160).
3. I monitored the audit budget compared to actual audit hours and requested approval in advance from the supervisor and Audit Manager if additional audit hours were needed (Audit Policy 3160).
4. I promptly informed my supervisor of potential audit issues encountered (Audit Policy 3160).
5. I informed my supervisor of modifications to the audit plan (Audit Policy 3160).
6. Work performed was documented in accordance with Audit Policy 3310.
7. I reviewed audit documentation prepared by assistants to ensure work was adequately performed and properly documented (Audit Policy 3160).
8. I promptly resolved any coaching notes (Audit Policy 3160).
9. Sufficient and appropriate audit evidence was obtained and evaluated to ensure that specific audit objectives were achieved (Audit Policy 3210).

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10. The audit of federal programs was conducted using all applicable audit steps in TeamMate and Audit Policy 5000 series - Federal Audits.
11. An entrance conference was conducted in accordance with Audit Policies 2130 and 2210.
12. An exit conference was conducted in accordance with Audit Policies 2130 and 2220.

Assistant Audit Manager (Supervisor) Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I ensured that all coaching notes were resolved (Audit Policy 3160).
4. I informed the Audit Manager of significant problems or audit issues (Audit Policy 3160).
5. I agree with the certification statements made by the auditor-in-charge.

Audit Manager Statements

1. I am free, both in appearance and in fact, from personal and external impairments to objectivity and independence in matters related to this audit (Audit Policy 3110).
2. I reviewed audit documentation to ensure work was adequately performed and evaluated whether the results are consistent with the conclusions presented in the engagement report. My review was completed prior to the exit conference and report issuance (Audit Policy 3160).
3. I requested approval for audit budget changes from the Director of State and Local Audit or delegate (Audit Policy 1220). Also, I communicated audit budget changes to Team Financial Services.
4. In my opinion, the staff assigned to conduct each engagement collectively possess adequate professional competence for the tasks required (Audit Policy 3140).
5. I immediately informed the Director of State and Local Audit or delegate if the report was anticipated to be issued 30 days or more after the timeliness goals established in Audit Policy 2320.

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6. The protocol for findings and management letters as outlined in Audit Policy 2310 was followed.

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: Compliance Requirements

Prepared By: MDR, 7/31/2018

Reviewed By: DHO, 7/31/2018

Record of Work Done:

We identified the direct and material compliance requirements: Major Federal Program - Local teams

Based on our review of the Grant Cluster, we judgementally selected the two projects with the largest amount of reimbursements, equaling 92% of our total cluster. We listed all of the grants within the cluster below and highlighted the selected grants. The total of the grants not reviewed is \$72,975 (which is below our 10% threshold).

Highway Planning and Construction Cluster: (awarded after 12/26/14 = Post-UG)

Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-7970	33,609	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-7976	31,309	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-8139	247	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-8140	907	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-8659	6,903	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-8944	52,992	
Federal Highway Administration (fhwa), Department Of Transportation (via WA State Dept of Transportation)				Highway Planning and
Construction	20.205	LA-9043	798,758	

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Total Highway Planning and Construction Cluster:

924,725

In consideration of the above grants, we determined that 10% of the total (\$924,725) for the grant cluster, or **\$92,473**, was our threshold for materiality.

The Highway Planning and Construction cluster contained grants that were pre and post uniformed guidance (UG). Both of the grants selected for testing were **Post-UG**.

Grant Overview:

The objective of this grant is to assist State transportation agencies in the planning and development of an integrated, interconnected transportation system important to interstate commerce and travel by constructing and rehabilitating the National Highway System (NHS), including the Eisenhower Interstate System; and for transportation improvements to most other public roads; to provide aid for the repair of Federal-aid highways following disasters; to foster safe highway design; to replace or rehabilitate deficient or obsolete bridges; and to provide for other special purposes.

Regulations for construction projects are provided in the WSDOT Local Agency Guidelines (LAG) manual. We reviewed the SEFA and have vouched the grants related to the major program.

We reviewed each compliance requirement and the County grant files to determine direct and material requirements. We also obtained and reviewed the A-133 compliance supplement to determine which requirements are applicable to our audit.

See summary of applicable compliance requirements at [Major Federal Program - Local teams](#).

Compliance Requirements

Per our review of the Compliance Supplement Program Requirements Matrix, we determined the following requirements are not applicable to this program:

E. Eligibility

Per our review of the Compliance Supplement, we determined that the following requirements are applicable but not direct and material for this program:

F. Equipment and Real Property Management - Applicable, but not Direct and Material. Per Lisa Ronnberg, PW Accounting/Business Manager, the County did not purchase any equipment or real property with federal funds in 2017. We reviewed the expenditure reports for the grants and noted no instances of equipment or real property purchases.

G. Level of Effort and Earmarking - Not applicable per Compliance Supplement.

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H. Period of Performance (see table below) - Applicable, but not Direct and Material because the start and end dates are outside of our audit scope.

Project	Contract Start Date	Contract End Date
LA-8944 Bridge Inspections	8/9/2016	6/30/2021
LA-9043 Tucannon Bridge Project	12/31/2014	9/30/2018

J. Program Income - Applicable, but not Direct and Material Per Lisa Ronnberg, Public Works does not purchase any real property with Federal funds unless they have to for Right of Way. Thus, no income would come from the sale, lease, or use of that real property. Further, we reviewed the FY15 single audit and found there was no program income. We noted no instances of program income during our review.

M. Subrecipient Monitoring - Applicable, but not Direct and Material. Per Lisa Ronnberg, PW Accounting/Business Manager, the County did not have any subrecipients in 2017. We noted no instances of subrecipient monitoring during our SEFA vouch.

N. Special Tests and Provisions - Some are not applicable. See compliance spreadsheet for details on special tests listed below Major Federal Program - Local teams.

-Use of Other State or Local Govt Agencies - Not applicable. From our review, it does not appear that the State used other public land acquisition organizations or private consultants to carry out its authority.

-Davis-Bacon - Testing will be done under Wage Rate Requirements listed below.

-Replacement of Publicly Owned Property - Not applicable. We spoke with Lisa Ronnberg, Public works accounting/business manager, and she informed us that no publicly owned real property was used or replaced in any of the projects. We did not note no instances of publicly owned real property use during our review.

-Quality Assurance - Not applicable. No projects were part of the NHS, per Lisa Ronnberg. All projects were County Roads projects, which we confirmed during our review of the projects.

-Contractor Recoveries - State requirement only.

-Project Approvals - State requirement only.

-Value Engineering - State requirements only.

-Utilities - State requirement only.

Per our review of the compliance supplement, we determined the following requirements are applicable and direct and material to these programs and will be reviewed:

A. Activities Allowed or Unallowed.

B. Allowable Costs / Cost Principles

C. Cash Management

G. Matching

I. Procurement / Suspension and Debarment

Columbia County

L. Reporting

N. Special Tests and Provisions - See compliance spreadsheet for details on special tests listed below Major Federal Program - Local teams.

- Wage Rate Requirements
- Administration of Engineering and Design-Related Service Contracts

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: A-B-H Activities Allowed/Allowable Cost/Period of Performance

Prepared By: MDR, 8/23/2018

Reviewed By: GLW, 8/27/2018

Record of Work Done.:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

ACTIVITIES ALLOWED / ALLOWABLE COSTS

Key Personnel:

Andrew Woods, County Engineer

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Robert Yates, Engineering Tech (Contract Administrator/Project Manager)
Lisa Ronnberg, Accounting/Business Manager

Engineering Staff and Contractors meet to review the progress of the project, agree on the amount to pay for each item, and agree on the percentage of work complete. The Engineering Staff uses inspection reports, quantity tickets, and other documentation to determine the majority of the line items. The County Engineer prepares and reviews the progress estimates.

To make contractor payments, PW staff create a pay item report. The pay item report includes any calculations made to determine a quantity or the weight tickets. The pay notes are then reviewed by the county engineer. Once a pay note is approved, the pay item and quantity are added to the next progress estimate. The progress estimate is then reviewed and signed by the contractor and the county engineer (or their designee). **The County Engineer reviews the progress estimate to ensure all charges are allowable per the program and project specifications.**

Progress estimates are sent to the Contractor for signature. Once signed by the Contractor, the progress estimate is signed by the County's preparer and County Engineer. Once the County Engineer has approved the pay estimate, it is sent to the Accounting/Business Manager for disbursement. Lisa Ronnberg, Accounting/Business Manager codes the pay estimate and processes it for disbursement. She reviews expenditures to ensure they are appropriately charged and documented in program reports and accounting records.

For projects completed by County Road staff, timesheets include project codes and hours worked for each code. Timesheets are submitted to the Operations Supervisor (for local crew) or County Engineer (for office staff, like the Engineering Tech) on a weekly basis who reviews them for reasonableness. Because they assigns the jobs, they are able to determine if project codes and hours worked appear to be correct. Once the Operations Supervisor/County Engineer completes their review, they approve and submit the timesheets to Lisa for processing. Lisa enters hours worked for each project on an Excel payroll spreadsheet. The spreadsheet has each employees wages and is designed similarly to a timesheet as it includes daily hours worked. She then sorts the spreadsheet by project code and account code.

The payroll spreadsheet generates a Summary Sheet, which lists amounts for each account code. The Summary Sheet and support is submitted to the County Auditor for processing. Lisa sorts the spreadsheet by project code and account code, and enters hours into CAMS, the County Road's project accounting system. **Lisa reconciles the amounts from CAMS to the Summary Sheet of the payroll spreadsheet by code. Lisa ties the account code amounts from the Summary Sheet to CAMS.**

Amounts reported in CAMS are used to generate grant reimbursement request claims.

Please note: Public Works does not charge indirect costs to their grants.

Key Controls:

Every one or two months, when the General Contractor prepares it, the County Engineer reviews the progress estimate to ensure all charges are allowable per the program and project specifications. The project estimate includes all activities performed and materials purchased by the General Contractor to date, which Public Works uses as an invoice for making payments to the General Contractor.

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Every week, the County Engineer reviews employees' weekly timesheets to ensure that the employee time to be charged to each grant is accurate and allowable. He signs the timesheets to indicate approval. Once approved, payroll can be processed.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Activities Allowed & Cost Principles **LOW**

Period of Performance N/A

Internal Control Testing

ACTIVITIES ALLOWED / ALLOWABLE COSTS

The County Engineer reviews the progress estimate to ensure all charges are allowable per the program and project specifications.

We obtained the project files for the Tucannon Road Phase 3 and Bridge Inspection projects, which included contracts, reimbursement requests, and various forms of supporting documentation. We reviewed the project files and tested all three of the progress estimates (100%) to determine if they were reviewed and charges were allowable per the program and project specifications. Please note that the Bridge Inspections project did not have pay estimates due to the nature of the project (they hire a contractor to perform bridge inspections). We noted that the expenses charged to the program were allowable. In addition, we noted tic marks and signatures indicating review.

See testing at [Grant Reimbursement Testing](#) under Control attributes C and D.

Based on our review, this control appears to be in place and working as intended.

Every week, the County Engineer reviews employees' weekly timesheets to ensure that the employee time to be charged to each grant is accurate and allowable. He signs the timesheets to indicate approval. Once approved, payroll can be processed.

We judgementally selected to review October payroll for the projects because October had the highest payroll charged to the project (\$14,394). We obtained October 2017 timesheets of employees that had payroll charged to the Tucannon Road or Bridge Inspections projects, along with the CAMS report and payroll summary sheet, which is used by the Accounting/Business Manager for processing payroll. We noted that the timesheets were signed by the County Engineer, indicating approval. We also noted that the number of hours coded to our chosen projects (via the timesheets) appeared reasonable in comparison with how much the employees were paid from the project code. In the table below, we tested to see if the staff that charged payroll to the project were reasonable based on their position. We reviewed all staff with work coded to the Tucannon Road and Bridge Inspections projects in October 2017.

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Project	Employee Names	Employee Title	Payroll	Amount	CAMS report match payroll summary?	Is this Payroll Allowable?	Is the Activities Allowed/Allowable Costs control in place and working?
Tucannon Road Phase 3 PWP 07-02	Andrew Woods	County Engineer	October 2017	\$1,105.27	-	Yes	Yes
"	Lara Francesco	PW Operator	October 2017	\$256.73	-	Yes	Yes
"	Lisa Ronnberg	Business Manager	October 2017	\$291.33	-	Yes	Yes
"	Eian Ray	GIS Tech	October 2017	\$349.88	-	Yes	Yes
"	Robert Yates	Engineering Tech	October 2017	\$2,362.01 + \$1,301.11	-	Yes	Yes
"	Jeff McCowen	Engineering Tech	October 2017	\$3,723.58	-	Yes	Yes
			Total	\$9,389.91	Yes	Yes	Yes
Bridge Inspections PWP 16-70	Robert Yates	Engineering Tech	October 2017	\$480.41	-	Yes	Yes
"	Amber Phinney	Assistant Business Mgr	October 2017	\$10.20	-	Yes	Yes
			Total	\$490.60	Yes	Yes	Yes

Based on our review, this control appears to be in place and working.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Final Control Risk Assessment

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We assess final control risk at:

Activities Allowed & Cost Principles **LOW**

Period of Performance N/A

Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Activities Allowed & Cost Principles **LOW**

Period of Performance N/A

Compliance Testing

A. Direct Costs

Determine the method for how transactions are to be selected for testing. Options include, with details in the policy tab:

1. Sampling
2. Haphazard Selection
3. Judgmental Selection
4. Judgmental Population
5. All quantitatively material transactions

Reminders:

- Do not ignore types of costs that exceed 10% of the program, individually or in aggregate. These types of costs may have different control systems. See policy tab for example considerations if you are not familiar with this requirement.
 - Not required if you use the sampling or judgmental population methods.
- Consider expanding testing if errors are identified. It may not be necessary if sampling is used since it can extrapolate errors.
- Be alert for federal expenditures that were transferred from state or local program. Transferred costs may not have met federal requirements (adequate support, federal procurement, period of performance, not allowable, etc.).

1. Selected Expenditures: (Pre-UG & UG)

Test selected expenditures for compliance with the activities allowed and the cost principles using the A-B Expenditure Testing spreadsheet. All of the attributes are included on the spreadsheet. Use the cell comments for additional guidance on each requirement.

We haphazardly selected grant expenditures from an Expenditure Report (Invoice Distribution) provided by Lisa Ronnberg in PW to test for

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compliance with the activities allowed and the cost principles requirements. We had two populations (one for each project selected), and used the SA Sampling spreadsheet from TeamMate to determine our required sample size and summarized our results here (see at [SA Sampling](#)). We also selected individually significant items for testing. We used the A-B Expenditure Testing spreadsheet in TeamMate to perform our testing. See details on populations, sample sizes, and materiality below:

Tucannon Bridge Phase 3 | PWP 07-02

- Population Size - 51 line items
- Assurance Needed - High
- Compliance Failure Rate - 10%
- Sample Size - 11 line items
- Total Population Amount - \$798,758 (Total expenditures less matching)
- Materiality - \$157,503
- Individually Significant Items - 3

Bridge Inspections | PWP 16-70

- Population Size - 29 line items
- Assurance Needed - High
- Compliance Failure Rate - 10%
- Sample Size - 8 line items
- Total Population Amount - \$52,992 (total expenditures less matching) Materiality - \$6,157
- Individually Significant Items - 4

See testing at [A-B Expenditure Testing - Tucannon Road Project](#) and [A-B Expenditure Testing - Bridge Inspections](#).

Based on our testing, it appears the County is in compliance with Activities Allowed and Cost Principles requirements. No issues noted.

2. [Applicable Credits:](#) (Pre-UG & UG)

Inquire with the grant or program coordinators, review financial reports or other activities to identify credit transactions (refunds, reimbursements, discounts, liquidated damages, etc.). Select some credits and determine if they reduced program costs for reimbursement (i.e. reduced a subsequent billing) or repaid the amount to the grantor since the credit must be passed along.

We obtained and reviewed the Expenditure Report (Invoice Distribution) and noted one credit transactions on May 2017 payroll where the payroll

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was charged and then taken out, resulting in a net effect of zero. We spoke with Lisa Ronnberg about the transaction, and she explained that the Engineer accidentally put in the wrong code on his timesheet in April 2017. They realized this and corrected it in May 2017. This all occurred in the middle of their billing quarter, so by the time the reimbursement request form was filled out, the eligible expenses had already been corrected.

Based on our review, it appears the County is in compliance with applicable credits requirements.

3. **Impact of improper payments or unallowable costs** (*Pre-UG & UG*)

The auditor *should* consider the impact errors would have for “directly associated costs.” Directly associated costs are incurred solely as a result of incurring another cost and would not have been incurred if the other cost had not happened.

Example: fringe benefits are “directly associated” with payroll costs. When an unallowable cost is incurred, directly associated costs are also unallowable.

Not applicable. No improper payments or unallowable costs occurred, based on our testing.

B. Indirect Costs

Required: You must test if indirect costs are at least 10% of the federal expenditures during the audit period.

Not applicable. Based on our review of the expenditures, none of the projects reviewed charged indirect costs to the grants. We also spoke with Lisa Ronnberg who explained that PW does not charge indirect costs to their grants.

1. Method: Select the testing strategy in the policy tab that matches the entity’s method.

Rates Provided in Contract (including PTE’s negotiated rate)

Minimis Indirect Cost Rate

Negotiated Rates & Allocation Plans – from Federal Cognizant Agency

Negotiated Rates & Allocation Plans – from Pass-Through Entity

2. Impact of improper payments or unallowable costs (*Pre-UG & UG*)

The auditor *should* consider the impact indirect cost errors would have for “directly associated costs.” Directly associated costs are incurred solely as a result of incurring another cost and would not have been incurred if the other cost had not happened.

3. Special Audit Procedures for Indirect Cost Rate Proposals (ICRP): (*UG only*)

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Reminder: If the entity is preparing an ICRP *during* the audit period to submit it to the *federal cognizant agency or its designee*, we are required to review the accuracy of the base data and calculations. The Compliance Supplement does not require this test for indirect cost rate/allocation plans negotiated with pass-through agencies.

Interim Testing: If the audit is completed before the ICRP is completed, consider performing interim testing the cost pools and allocation bases and complete the testing in the next year's audit. For audit exceptions from interim testing, corrective action may be taken earlier to minimize questioned costs in the completed testing.

Tests: If this situation applies to you, use the testing strategy in the policy tab.

D. Period of Performance/Availability

1. Awards with a performance period beginning during the audit period (*Pre-UG & UG*)

Test transactions for costs recorded before or at the beginning date of the period of performance and verify that the costs were not incurred prior to the start of the period of performance unless authorized by the grantor in writing.

Not applicable. The award performance period for both projects selected began prior to the audit period.

2. Awards with performance period ending dates during the audit period: (*Pre-UG & UG*)

Test transactions charged to the grant during the latter part and after the period of performance to verify that the costs had been incurred/obligated within the period of performance and paid within the allowable liquidation period.

Not applicable. The award performance period ending date for both projects selected is scheduled to occur after the audit period.

3. Adjustments and transfers: (*Pre-UG & UG*)

If there are adjustments (e.g., year-end journal entries) that add expenses to the federal award, test adjustments and verify that these adjustments only added transactions that occurred during the period of performance.

We inquired with Lisa Ronnberg regarding any adjustments that would add expenses to the federal award. She stated that no adjustments are made to the grant projects. We did not notice any adjustments in our review of expenditures/reimbursements.

Evaluation of Results:

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Did you identify any noncompliance? **No.**

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: C. Cash Management

Prepared By: MDR, 8/13/2018

Reviewed By: DHO, 8/21/2018

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel:

Lisa Ronnberg, Accounting/Business Manager

Amber Phinney, Assistant Business Manager

Andrew Wood, County Engineer

We met with Lisa Ronneberg, Accounting/Business Manager regarding the control processes over cash management. Based on our discussion we have documented the following controls and procedures:

The County receives invoices for projects, which are approved by the appropriate county staff, and then forwarded for processing. The Assistant Business Manager enters the invoices in CAMS (accounting) system for payment and includes the project number the invoice relates to.

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All project vouchers are approved by the Accounting/Business Manager, and then the County Engineer or Assistant County Engineer. The BoCC does a final approval. Once BoCC approval has taken place, the Auditor's Office processes payment to the vendor and stamps the voucher with a number and a date. The original is sent back to PW for short-term retainment and the voucher number and date are entered into CAMS by Lisa Ronnberg. PW sends the original vouchers back after approximately 4 months, and the Auditor's Office retains them long-term.

At the end of each month, the Accounting/Business Manager runs a project report from CAMS for all items paid for each project and enters the information in her project spreadsheets. At the end of each quarter, the Accounting/Business Manager runs another project report to ensure that all invoices for that project have been included in the project spreadsheets. The Accounting/Business Manager then uses the project spreadsheets to create the requests for reimbursement on the projects that are billed each quarter.

When Lisa runs her Expenditure/Invoice Report, she runs it by warrant number and project, so she knows it has been paid.

The Accounting/Business Manager creates the reimbursement request quarterly based on her spreadsheet (which is an accumulation of CAMS reports of paid invoices/payroll). The spreadsheet indicates the expenditures already paid, and she ensures she requests reimbursement for costs already paid. The Accounting/Business Manager keeps a copy of the reimbursement requests, the project spreadsheets, and a print out from CAMS in the individual project binders for documentation.

Key Control:

The Accounting/Business Manager creates the reimbursement request quarterly based on her spreadsheet (which is an accumulation of CAMS reports of paid invoices/payroll). The spreadsheet indicates the expenditures already paid, and she ensures she requests reimbursement for costs already paid. How often does she perform this review? What about paid payroll? We only include invoices.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

The Accounting/Business Manager creates the reimbursement request quarterly based on her spreadsheet (which is an accumulation of CAMS reports of paid invoices/payroll). The spreadsheet indicates the expenditures already paid, and she ensures she requests reimbursement for costs already paid.

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During our SEFA Vouch, we reviewed all FY17 reimbursement requests for the Tucannon Road Phase 3 and Bridge Inspections projects. We noted the County Engineer/PW Director's signature and date on the request for reimbursement. Attached was a spreadsheet kept by the Accounting/Business Manager that listed expenditures by month, listing invoice amounts, month totals, and year to date totals. The Accounting/Business Manager also includes the warrant numbers (sometimes numerals, sometimes text) used to pay the expenses to indicate that the expenditures that are being requested for reimbursement have been paid by prior to the request. There is also a detail report by project from the Public Works accounting system (CAMS) attached that the Accounting/Business Manager uses to populate the spreadsheet. We noted that the individual invoice amounts on the detail report by project are highlighted and match what is listed in the spreadsheet.

See our testing at [Grant Reimbursement Testing](#) under control attributes A and B. Based on our review, the control is in place and functioning as intended.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

A. Cash Advance Method

1. Advance Requests: (Pre-UG & UG)

Select cash draws occurring during the audit period and verify that the auditee:

- (1) minimized the time elapsing between the drawdown and disbursement of funds in accordance with program guidelines
- (2) limited the amount of its cash request to its immediate needs, and
- (3) accounted for and expended program income, rebates, refunds, and other receipts before requesting additional cash draws. Advances could also take the form of payments to the entity that exceed the grant-related costs incurred.

Not applicable. The County uses the True Reimbursement method.

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2. **Interest:** (*Pre-UG & UG*)

Determine whether the entity tracked or calculated interest on their advances. Amounts over the threshold (\$100 Pre-UG and \$500 UG) should be remitted to the grantor.

If the entity did not identify or track interest, use auditor judgement to evaluate if it could have likely exceeded the threshold (average interest rate, length of time funds were held, amount of funds, etc.). This also indicates a control deficiency.

Not applicable. The County uses the True Reimbursement method.

B. Cost Reimbursement Method

NOTE: When appropriate and applicable, take credit here for any applicable testing done to substantiate the SEFA during single audit planning.

1. **Reimbursement:** (*Pre-UG & UG*)

If awards are funded on a true reimbursement basis (costs are incurred and paid before federal funds are received) select an appropriate number of reimbursement requests (use Policy 3240 in the policy tab) and trace expenditures to supporting documentation. Determine if the transactions of the request were paid by the auditee before the date they were submitted for reimbursement.

During our SEFA vouch, we selected and traced expenditures from all FY17 reimbursement requests to the Expenditure Reports via CAMS (for both of our selected grant projects). The invoices are entered into CAMS, sent for approval by the BoCC, and paid immediately by the Auditor's Office. The payroll expenditures are sent to the Auditor's Office and processed immediately. The reimbursement forms are filled out the month following the expenditures, ensuring that all expenditures reported via CAMS have already been paid. Further, when Lisa runs her Expenditure/Invoice Report, she runs it by warrant number and project, so she knows it has been paid.

The transactions of the reimbursement request were paid by the County before the date they were submitted for reimbursement. No issues noted.

See our testing at [Grant Reimbursement Testing](#) under compliance testing attribute A.

2. **Pseudo-Advances:** (*Pre-UG & UG*)

a. **If during your testing in #1 or control understanding you find the *reimbursement* program received advances of Federal funds (costs are incurred but not paid before federal reimbursement), select these advances and verify that the entity minimized the time elapsing between drawdown and disbursement. For schools, the delay is limited to three days.**

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Not applicable. The County did not receive advances of Federal funds (costs incurred but not paid before reimbursement).

b. Determine if interest was earned on Federal cash draws. The entity should track or calculate it. (Control deficiency if they do nothing.) If interest earned was over \$500 (or \$100 for pre-UG awards), determine if the excess was returned to the appropriate agency.

Not applicable. See above.

Evaluation of Results:

Did you identify any noncompliance? **No.**

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: G. Matching
Prepared By: MDR, 7/31/2018
Reviewed By: DHO, 8/8/2018

Record of Work Done.:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

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Key Personnel:

Lisa Ronnberg, Accounting/Business Manager

Andrew Woods, County Engineer

Project costs are reviewed by the Project Manager and approved by the County Engineer. They are paid through the County's CAMS system.

The Accounting/Business Manager receives project cost information from the County Engineer, and inputs the data into a federal expenditure spreadsheet she maintains for each project. The spreadsheets list all of the expenditures coded to the federal program. The spreadsheet also includes all sources of payments for the projects, and is coded to split the amounts for reimbursements between County, State, and Federal funding.

The Business Manager utilizes the spreadsheets when she prepares the reimbursement claim form, which the County submits to the Washington State Department of Transportation (WSDOT) for reimbursement. Once the reimbursement claim form is complete, the Accounting/Business Manager submits it to the County Engineer for review and approval.

The County Engineer reviews the reimbursement claim for accuracy and completeness, and to ensure it is supported by underlying expenditure records. The County Engineer is also aware of expenses related to projects because he has detailed knowledge of all projects and he approves all expenditures.

Once the County Engineer has signed off on the reimbursement request, the Accounting/Business Manager submits the requests electronically to WSDOT.

Key Control:

The Business Manager receives project cost information from the County Engineer and inputs the data into a federal expenditure spreadsheet she maintains for each project. The spreadsheets list all of the expenditures coded to the federal program. The spreadsheet also includes all sources of payments for the projects and is coded to split the amounts for reimbursements between County, State, and Federal funding. The Business Manager uses the spreadsheet to ensure all matching requirements are met when preparing the request for reimbursement.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Matching **LOW**

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Internal Control Testing

The Business Manager receives project cost information from the County Engineer and inputs the data into a federal expenditure spreadsheet she maintains for each project. The spreadsheets list all of the expenditures coded to the federal program. The spreadsheet also includes all sources of payments for the projects and is coded to split the amounts for reimbursements between County, State, and Federal funding. The Business Manager uses the spreadsheet to ensure all matching requirements are met when preparing the request for reimbursement.

During our SEFA Vouch, we reviewed all FY17 reimbursement requests for the Tucannon Road Phase 3 and Bridge Inspections projects. We noted in the Local Agency Agreement for the Tucannon Road Phase 3 project that federal aid participation was 90% for HSIP and 86.5% for Construction. We noted in the Local Agency Agreement for the Bridge Inspections project that federal aid participation was 86.5% for Preliminary Engineering. Attached to the requests were the spreadsheets used by the Business Manager to track expenditures on the project and calculate the amounts of reimbursements from the various agencies. We re-performed the calculation for the reimbursement requests to ensure that the amount claimed was the applicable percent of the total amount incurred.

See our testing at [Grant Reimbursement Testing](#) under Control attributes E and F.

Based on our review, it appears this control is in place and working as intended.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Final Control Risk Assessment

We assess final control risk at:

Matching **LOW**

Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Matching **LOW**

Compliance Testing

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MATCHING

1. Amount/Percentage Met: (Pre-UG & UG)

Review reimbursement requests and any other necessary records to determine whether the required amount or percentage of match was met. (Note: some programs require the percentage to be met throughout the program, at each reimbursement request, while others require it to be met by at least the end of the project).

During our SEFA Vouch, we reviewed all FY17 reimbursement requests with their supporting documentation. We recalculated the applicable percentages (listed above in Control Testing) to ensure the required percentage of match was met. No issues noted.

See testing at [Grant Reimbursement Testing](#) under compliance attribute E.

2. Source of Match: (Pre-UG & UG)

Determine whether the type of match provided (e.g., local cash expenditure, grantee-donated property, volunteer time, etc.) is allowable according to the awarding documents.

Per the project agreements, the County's share of the costs was to be a local cash expenditure. Based on our review, the County only requested reimbursement of the federal share from FHWA via WSDOT and paid the rest of the funds from County Road funds. This appears to be an allowable match according to the grant agreement.

3. In-Kind Values: (Pre-UG & UG)

If in-kind contributions were used, determine whether the values placed on in-kind contributions are in accordance with the terms of the awards, grantor correspondence, cost principles and match requirements (UG:2 CFR sections 200.306, 200.434 and 200.414 OR Pre-UG: OMB A-102 Common Rule).

We spoke with Lisa Ronnberg in PW to determine if there were any in-kind contributions within the grant. She stated that the County did not and has not received any in-kind contributions. They receive cash reimbursement only.

4. Match Costs Meet Same Standards as Federal Costs: (Pre-UG & UG)

Test the match transactions for compliance with allowable cost and cost principles requirements, such as adequate supporting documentation (*especially* time and effort), allocable, necessary and reasonable, etc. This test may be performed with the allowable cost/cost principle testing of the federal expenditures.

During our testing of Allowable Cost/Cost Principles, we selected our sample from overall expenditures for the Tucannon Road Phase 3 and Bridge

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Inspections projects, from which the applicable Federal percentage is requested for reimbursement. The remaining funds (County match) are expenditures against the County Road Fund.

See our testing at [A-B Expenditure Testing - Tucannon Road Project](#) and [A-B Expenditure Testing - Bridge Inspections](#).

Evaluation of Results:

Did you identify any noncompliance? **No.**

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: I. Procurement/Suspension and Debarment

Prepared By: MDR, 8/29/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel:

Andrew Woods, County Engineer

Seth Walker, Engineering Tech (Lead Designer)

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Robert Yates, Engineering Tech (Project Manager)

The County Engineer determines the estimated work and costs that will be involved in the project. Once the Plans, Specifications and Estimate (PS&E) packet is completed, the County submits the PS&E packet to WSDOT for project approval. If WSDOT required any changes to the PS&E packet, the County is notified. WSDOT grants approval to bid the project and authorizes funding once all requested changes have been made. A project manager is assigned to oversee the project requirements. This individual is responsible for developing the bidder's packet and project specifications. The project manager prepares the bidders packet and ensures all required documents and requirements, such as DBE goals, WSDOT authorization, and environmental approval is in place for the project.

The Dayton Chronicle or The Waitsburg Times (Commissioners inform PW which paper is the paper of record) is used as the County's publication of record and all projects are advertised for three weeks.

Contractors submit sealed bids, which are opened and read during an open public meeting with the Commissioners on the specified day per the bidder's packets and specifications.

It is the Project Manager's responsibility to prepare the bid tabulation sheet. While completing this process, he ensures all specifications in the bidder's packet are met by each bidder. He determines the lowest cost bidders meeting specifications, and makes his recommendation of lowest cost responsible bidder to the County Engineer. The Project Manager or Lead Designer accesses the EPLS website and runs a query to determine if the recommended low bidder has been suspended or debarred. The bid tabulation and print outs from L&I, EPLS, Department of Revenue, Insurance Company, and the Engineering Tech's recommendation are sent to the County Engineer by memo.

The County Engineer refers to the WSDOT Standard Specifications Book and reviews the bid tabulation spreadsheet, supporting documentation, and contract documents to ensure that all required documents are included. He prepares a recommendation for the County Commissioners. The County Engineer then signs and submits the recommendation to the Commissioners. The Commissioners review the recommendation and approve the final selection.

The lowest responsible Contractor is notified through a notice of award. Non-winning bidders are sent copies of the bid tabulation and a notice that another bidder was awarded the contract and their cashiers' check or bid bond are returned.

The Project Manager obtains all other required documents from the winning bidder prior to signing the contract, these include obtaining a performance bond, ensuring a provision for retainage is included, a certification from the contractor that they will not use suspended or debarred sub-contractors, project insurance, and a certification that the contractor will pay laborers applicable federal wage in accordance with Davis Bacon Laws. Please see the Wage Rate Requirements (Davis Bacon Act) section for further review. The County does not check the suspension and debarment status of subcontractors, there is a clause in the contract which requires the Prime contractor to perform the review.

Public Works follows the FHWA (Federal Highway Administration) requirements for procurement, as summarized in the LAG (Local Agency Guidelines) Manual (see at <https://www.wsdot.wa.gov/publications/manuals/fulltext/M36-63/LAG.pdf>).

Please note that the County is in the process of editing and adopting the Garfield County procurement policy ([Procurement Policy Draft - 070318](#)), which will be adopted in 2018. This policy includes general procurement guidelines as well as standards of conduct.

Key Controls:

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The Project Manager or Lead Designer accesses the WA State Dept of L&I website and runs a query to determine if the recommended low bidder has been suspended or debarred. (Suspension & Debarment)

The County Engineer is the key control for ensuring cost estimates are prepared for projects over \$150K. He creates the work and costs estimates that are submitted to WSDOT for approval. The County Engineer is the key control for ensuring that procurement requirements for public works and professional services are met. The County Engineer refers to the WSDOT Standard Specifications Book for guidance on procurement requirements and reviews the bid tabulation spreadsheet, supporting documentation, and contract documents to ensure that all required documents are included to demonstrate compliance with procurement requirements. (Procurement)

Evaluation of Results:

Did you identify any control deficiencies? **Yes.**

If so, **you must:**

1. Use the decision matrix to determine and document the likelihood of noncompliance and the magnitude of potential noncompliance on the program as a whole.
2. Document the rationale for a LOW or HIGH risk assessment.

Public Works does not have procurement or standards of conduct policies in place, as required under uniform guidance. However, the County has until 1/1/18 to update their policies, which is outside of our audit scope. Further, Public Works follows the LAG Manual from FHWA for procurement procedures. Please note that the County is in the process of editing and adopting the Garfield County procurement policy, which will be adopted in 2018. This policy includes general procurement guidelines as well as standards of conduct. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is remote and the magnitude of potential noncompliance to be less than material. Therefore, we will assess control risk at LOW. We will issue a recommendation. [E - Federal Procurement PoliciesLOR Summary](#)

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)

Columbia County

More than Remote (at least reasonably possible)	<p style="text-align: center;">If the deficiency does not meet the criteria below for a significant deficiency:</p> <p style="text-align: center;">Control deficiency</p> <p style="text-align: center;">(Control risk is LOW)</p>	<p style="text-align: center;">Assess control risk as HIGH and report a finding for a <u>Material Weakness</u> if</p> <p style="text-align: center;">the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>)</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p>
	<p style="text-align: center;">Assess control risk as HIGH and report a finding for a <u>Significant Deficiency</u> if:</p> <p style="text-align: center;">(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>), and</p> <p style="text-align: center;">(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (<i>Refer to Note 2 below.</i>)</p>	

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at:

Procurement **LOW**

Suspension and Debarment **LOW**

Internal Control Testing

The Project Manager or Lead Designer accesses the WA State Dept of L&I website and runs a query to determine if the recommended low bidder has been suspended or debarred. (Suspension & Debarment)

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We obtained the project files and reviewed all of the supporting documentation. We noted a print-out from Washington State Department of Labor & Industries stating that Barker Inc (lowest bidder for Tucannon Road Phase 3) was not excluded or debarred. We noted that the printout was dated 5/23/17, which was before the bidder was notified of being awarded the bid (6/5/17).

The Bridge Inspections project was not subject to the same procurement requirements as Tucannon Road, but we will test for S&D controls regardless. We reviewed the digital service agreement (for approximately \$100,000) with Nicholls Kovich for the Bridge Inspections project and noted that it referenced a Suspension Certificate as an attachment to the agreement (appendix G-2). Upon further discussion, we learned that the attachment was not included at the end of the agreement. There was also no printout from the WA State Dept of L&I regarding their suspension and debarment status, as expected based on our understanding of internal controls. PW did not check for S&D before spending \$25,000 or more with Nicholls Kovich (total spent \$53,878.89).

Due to one of two vendors not having proper S&D documentation, we obtained a list of vendors for which \$25,000 or more was paid with Federal funds. We found only one more vendor: Anderson Perry. We reviewed the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate. There was not, however, a printout from the WA State Dept of L&I regarding suspension and debarment status, as expected based on our understanding of internal controls. Because the federal requirement for suspension and debarment was met via a signed certificate, we do not have a compliance issue. However, we do recommend that PW put processes in place to ensure consistent review of suspension and debarment status of applicable vendors, which we will communicate verbally.

Of the three vendors subject to Suspension and Debarment processes, only two had the proper documentation (66%). This resulted in a 33% control failure.

Based on our review, this control appears to be in place but not working as intended.

Public Works did not check for Suspension and Debarment status before spending \$53,878.89 with Nicholls Kovich for the Bridge Inspections project. The contract agreement between Public Works and the firm included a clause referencing attachment G-2: Suspension and Debarment Certificate, but the certificate was not included as an attachment with the agreement. Upon further discussion, PW was not aware of the need to include the specific attachment. Due to one of two vendors not having proper S&D documentation, we selected the only other vendor for which Suspension and Debarment process was required, and found that the County did obtain the proper documentation. We reviewed the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate. There was not, however, a printout from the WA State Dept of L&I regarding suspension and debarment status, as expected based on our understanding of internal controls. Because the federal requirement for suspension and debarment was met via a signed certificate, we do not have a compliance issue. However, we do recommend that PW put processes in place to ensure consistent review of suspension and debarment status of applicable vendors. Overall, the control failure rate was 33%. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material (over 10%). Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal

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PW A&E Procurement Method Final LOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a <u>Material Weakness</u> if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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Assess control risk as HIGH and report a finding for a Significant Deficiency if:

(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) **OR** the activity (qualitative) (*refer to Note 1 below*), and

(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (*Refer to Note 2 below.*)

The County Engineer is the key control for ensuring cost estimates are prepared for projects over \$150K. He creates the work and costs estimates that are submitted to WSDOT for approval. The County Engineer is the key control for ensuring that procurement requirements for public works and professional services are met. The County Engineer refers to the WSDOT Standard Specifications Book for guidance on procurement requirements and reviews the bid tabulation spreadsheet, supporting documentation, and contract documents to ensure that all required documents are included to demonstrate compliance with procurement requirements. (Procurement)

We met with the Engineering Tech, Robert Yates, and discussed the review of the recommended bidder (because the County Engineer is no longer at the County, and Robert does this process now). He explained that by completing the cost estimates for projects, he is able to determine if the project needs to be procured and what procurement method should be used. He has a table showing the procurement types and corresponding thresholds. Once the procurement method is determined, he works with Lisa Ronnberg, Accounting/Business Manager to advertise the project and request for bids. He refers to the WSDOT standards specifications book and internal policies to ensure all the required documentation and language is included in the bid specifications. He also explained that he refers to the WSDOT Standard Specifications book when he reviews the bids to ensure all required documentation has been received.

We obtained and reviewed the contractor file for the Tucannon Road Phase 3 Project, which included the bid tabulation sheet, bids, required documents such as the Department of Revenue license print, Dept. of L&I Employer Liability Certificate, and recommendation letter from the County Engineer to the County Commissioners. We noted that the bid file included the following bid documents:

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- Suspension & Debarment printout for WA State Dept of L&I
- Tabulation of all bids received and opened publicly*
- Certification for Federal-Aid Contracts*
- Non-Collusion Declaration*
- Local Agency Proposal - Bond and Signature Page*
- Bid Proposal*
- Copy of Bid Bond*
- Bid Recommendation Packet for BoCC
- Bid Award Letter
- Engineer's Estimate (dated 2/5/2016)
- Certificate of Liability Insurance
- Signed Contract (6/7/2017)
- Letter to Proceed sent to Barker Inc (7/6/2017)
- Barker Inc Subcontractor List

*Included in BoCC Recommendation Packet

For the Bridge Inspections project, see [N2. Administration of Engineering and Design-Related Service Contracts](#) as the project required procurement of Engineering/Design-Related services. Those types of contracts are subject to special requirements by the FHWA and will be reviewed separately.

Based on our review, this control appears to be in place and working as intended.

Evaluation of Results:

Did you identify any control deficiencies? **Yes.**

Public Works did not check for Suspension and Debarment status before spending \$53,878.89 with Nicholls Kovich for the Bridge Inspections project. The contract agreement between Public Works and the firm included a clause referencing attachment G-2: Suspension and Debarment Certificate, but the certificate was not included as an attachment with the agreement. Upon further discussion, PW was not aware

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of the need to include the specific attachment. Due to one of two vendors not having proper S&D documentation, we selected the only other vendor for which Suspension and Debarment process was required, and found that the County did obtain the proper documentation. We reviewed the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate. There was not, however, a printout from the WA State Dept of L&I regarding suspension and debarment status, as expected based on our understanding of internal controls. Because the federal requirement for suspension and debarment was met via a signed certificate, we do not have a compliance issue. However, we do recommend that PW put processes in place to ensure consistent review of suspension and debarment status of applicable vendors. Overall, the control failure rate was 33%. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material (over 10%). Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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	<p>Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p>(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>), and</p> <p>(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (<i>Refer to Note 2 below.</i>)</p>	-
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Final Control Risk Assessment

We assess final control risk at:

Procurement **LOW**

Suspension and Debarment **HIGH**

Risk of Material Noncompliance

We assess the risk of material noncompliance at:

Procurement **LOW**

Suspension and Debarment **HIGH**

Compliance Testing

PROCUREMENT

1. Procurement Policy: (*UG Only*)

a. Obtain the entity's procurement policies and verify that the policies comply with the Uniform Guidance requirements. At a minimum, the auditor should check to see that the policies outline when 2 CFR 200 procurement methods should be used versus state or local laws.

**A grantee could choose to use one set of rules all the time (state, federal or local) if those rules are always more*

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restrictive than the others.

see policy tab for information about the policy grace period

b. Determine if the policy allows the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals. If so, verify this was not applied to federally funded procurement except where expressly allowed by the federal regulations. This can be done as part of testing of #3 for selected transactions by determining if geographical preference was used during the procurement process.

Public Works does not have procurement or standards of conduct policies in place, as required under uniform guidance. However, the County has until 1/1/18 to update their policies, which is outside of our audit scope. Further, Public Works follows the LAG Manual from FHWA for procurement procedures. Please note that the County is in the process of editing and adopting the Garfield County procurement policy, which will be adopted in 2018. This policy includes general procurement guidelines as well as standards of conduct. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is remote and the magnitude of potential noncompliance to be less than material. Therefore, we will assess control risk at LOW. We will issue a recommendation. E - Federal Procurement Policies
LOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a <u>Material Weakness</u> if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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Assess control risk as HIGH and report a finding for a Significant Deficiency if:

(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) **OR** the activity (qualitative) (*refer to Note 1 below*), and

(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (*Refer to Note 2 below.*)

2. Conduct Policy: (UG Only)

Verify that the entity has written standards of conduct/policy covering conflicts of interest for employees, agents, etc. engaged in the selection, award and administration of contracts. The standards must have these elements:

- 1. The officers, employees, and agents may not participate in the selection, award, or administration of a contract supported by a Federal award if they have a real *or apparent* conflict of interest.**
- 2. The officers, employees, and agents may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.**
- 3. Must include or disciplinary actions for violations of such standards.**
see policy tab for information about the policy grace period

Public Works does not have procurement or standards of conduct policies in place, as required under uniform guidance. However, the County has until 1/1/18 to update their policies, which is outside of our audit scope. Further, Public Works follows the LAG Manual from FHWA for procurement procedures. Please note that the County is in the process of editing and adopting the Garfield County procurement policy, which will be adopted in 2018. This policy includes general procurement guidelines as well as standards of conduct. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is remote and the magnitude of potential noncompliance to

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be less than material. Therefore, we will assess control risk at LOW. We will issue a recommendation. E - Federal Procurement Policies
Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>)

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	<p>Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p>(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>), and</p> <p>(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (<i>Refer to Note 2 below.</i>)</p>	-
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3. **Procurement:** (*Pre-UG & UG*)

Select procurement transactions and test to determine if the entity complied with the most restrictive *competitive* procurement method of state, local and federal requirements based upon applicable thresholds. If competition is limited or there is no competition, determine if the rationale was allowable per federal rules.

We selected the Tucannon Road Phase 3 and Bridge Inspections projects to review for procurement method compliance. We reviewed the table in the Testing Strategy that summarizes Federal, State, and Local requirements based on applicable thresholds. We determined that the Tucannon Bridge Project met compliance requirements for Formal/Sealed Bids as the Engineer's Estimate for the project was \$1,667,654. Due to its high dollar amount, this project would have met Federal, State, or Local requirements regardless of which was the most restrictive.

We obtained and reviewed the contractor file for the Tucannon Road Phase 3 Project, which included the bid tabulation sheet, bids, required documents such as the Department of Revenue license print, Dept. of L&I Employer Liability Certificate, and recommendation letter from the County Engineer to the County Commissioners. We noted that the bid file included the following bid documents:

- Suspension & Debarment printout for WA State Dept of L&I
- Tabulation of all bids received and opened publicly* (Barker Inc - \$2,062,163.73; ML Albright & Sons - \$2,103,341.61; each bidder had estimates for all line items)

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- Certification for Federal-Aid Contracts*
- Non-Collusion Declaration*
- Local Agency Proposal - Bond and Signature Page*
- Bid Proposal*
- Copy of Bid Bond*
- Bid Recommendation Packet for BoCC
- Bid Award Letter
- Engineer's Estimate (dated 2/5/2016)
- Certificate of Liability Insurance
- Signed Contract (6/7/2017)
- Letter to Proceed sent to Barker Inc (7/6/2017)
- Barker Inc Subcontractor List
- Copies of the advertisements made in the Dayton Chronicle on May 4, 11, and 18 of 2017

*Included in BoCC Recommendation Packet

For Bridge Inspections procurement/compliance testing, see N2. Administration of Engineering and Design-Related Service Contracts as the project required procurement of Engineering/Design-Related services. Those types of contracts are subject to special requirements by the FHWA and will be reviewed separately.

4. Cost Analysis: (UG Only)

If the cost in #3 exceeded the simplified acquisition threshold (\$150,000), determine if a cost or price analysis was performed and supported the procurement. Modifications for these contracts must also have an analysis. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the auditee must make independent estimates before receiving bids or proposals.

We obtained and reviewed the Engineer's Estimate for the Tucannon Road Phase 3 project, as it exceeded the SAT of \$150,000. The Engineer's Estimate for the project was \$1,667,654. We noted that the estimate was dated 2/5/2016 and supported the procurement of formal/sealed bids due to the high dollar amount. This estimate was created before receiving bids or proposals, which didn't take place until 2017.

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SUSPENSION AND DEBARMENT

1. S&D Status: (Pre-UG & UG)

Select new contracts (including purchases/purchase orders) that exceed \$25,000 and subrecipient agreements (no dollar minimum) and verify the entity performed one of the following during the procurement process or when the contract was made:

1. Checked their status on the online search engine SAM.gov (and have support)
2. Put a clause in the contract, whereby the signer attests they are not suspended or debarred.
3. Obtained a signed certificate, whereby the signer attests they are not suspended or debarred.

*Note: If the entity did not check S&D during the procurement process or when the contract was made, there is non-compliance. The level of non-compliance depends on whether the entity checked S&D before or after the first payment to the vendor. Include this information with the Level of Reporting request.

We reviewed the Suspension & Debarment printout from the WA State Dept of L&I for Barker Inc (lowest bidder for Tucannon Road Phase 3). We noted that the printout was dated 5/23/17, which was before the contract was awarded on 6/5/2017.

The Bridge Inspections project was not subject to the same procurement requirements as Tucannon Road, but we will test for S&D controls regardless. We reviewed the digital service agreement (for approximately \$100,000) with Nicholls Kovich for the Bridge Inspections project and noted that it referenced a Suspension Certificate as an attachment to the agreement (appendix G-2). Upon further discussion, we learned that the attachment was not included at the end of the agreement. PW did not check for S&D before spending \$25,000 or more with Nicholls Kovich (total spent \$53,878.89).

Due to one of two vendors not having proper S&D documentation, we obtained a list of vendors for which \$25,000 or more was paid with Federal funds. We found only one more vendor: Anderson Perry. We reviewed the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate.

Of the three vendors subject to Suspension and Debarment processes, only two had the proper documentation (66%). This resulted in a 33% control failure.

Public Works did not check for Suspension and Debarment status before spending \$53,878.89 with Nicholls Kovich for the Bridge Inspections project. The contract agreement between Public Works and the firm included a clause referencing attachment G-2: Suspension and Debarment Certificate, but the certificate was not included as an attachment with the agreement. Upon further discussion, PW was not aware of the need to include the specific attachment. Due to one of two vendors not having proper S&D documentation, we selected the only other vendor for which Suspension and Debarment process was required, and found that the County did obtain the proper documentation. We

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received the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate. There was not, however, a printout from the WA State Dept of L&I regarding suspension and debarment status, as expected based on our understanding of internal controls. Because the federal requirement for suspension and debarment was met via a signed certificate, we do not have a compliance issue. However, we do recommend that PW put processes in place to ensure consistent review of suspension and debarment status of applicable vendors. Overall, the control failure rate was 33%. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material (over 10%). Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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Assess control risk as HIGH and report a finding for a Significant Deficiency if:

(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) **OR** the activity (qualitative) (*refer to Note 1 below*), and

(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (*Refer to Note 2 below.*)

2. Subcontractors: (*Pre-UG & UG*)

The grantee must inform the general contractor that they are responsible for checking the S&D status of subcontractors. (Or the subrecipient must check their own subrecipients.) Determine if there was a clause in the contract assigning this responsibility when there are subcontractors or subrecipients.

We reviewed the Standards Specification booklet (part of the contract) and noted that it explained that General Contractors (Barker Inc) are responsible for checking the S&D status of their subcontractors. No issues noted.

Evaluation of Results:

Did you identify any noncompliance? **Yes.**

Public Works does not have procurement or standards of conduct policies in place, as required under uniform guidance. However, the County has until 1/1/18 to update their policies, which is outside of our audit scope. Further, Public Works follows the LAG Manual from FHWA for procurement procedures. Please note that the County is in the process of editing and adopting the Garfield County procurement policy, which will be adopted in 2018. This policy includes general procurement guidelines as well as standards of conduct. We used the SA decision matrix

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below to evaluate our results. We concluded that the likelihood of noncompliance is remote and the magnitude of potential noncompliance to be less than material. Therefore, we will assess control risk at LOW. We will issue a recommendation. [E - Federal Procurement Policies LOR Summary](#)

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) <i>(refer to Note 1 below)</i>

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	<p style="text-align: center;">Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p style="text-align: center;">(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) <i>(refer to Note 1 below), and</i></p> <p style="text-align: center;">(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. <i>(Refer to Note 2 below.)</i></p>	-
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Public Works did not check for Suspension and Debarment status before spending \$53,878.89 with Nicholls Kovich for the Bridge Inspections project. The contract agreement between Public Works and the firm included a clause referencing attachment G-2: Suspension and Debarment Certificate, but the certificate was not included as an attachment with the agreement. Upon further discussion, PW was not aware of the need to include the specific attachment. Due to one of two vendors not having proper S&D documentation, we selected the only other vendor for which Suspension and Debarment process was required, and found that the County did obtain the proper documentation. We reviewed the signed contract for the Vernon Smith Bridge and noted that included with the signed contract was a signed Suspension and Debarment certificate. There was not, however, a printout from the WA State Dept of L&I regarding suspension and debarment status, as expected based on our understanding of internal controls. Because the federal requirement for suspension and debarment was met via a signed certificate, we do not have a compliance issue. However, we do recommend that PW put processes in place to ensure consistent review of suspension and debarment status of applicable vendors. Overall, the control failure rate was 33%. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material (over 10%). Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material

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Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	<p>If the deficiency does not meet the criteria below for a significant deficiency:</p> <p style="text-align: center;">Control deficiency (Control risk is LOW)</p>	<p>Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)</p> <p style="text-align: center;">- -</p>
	<p>Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p style="text-align: center;">(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below), and</p> <p style="text-align: center;">(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (Refer to Note 2 below.)</p>	

E.2.PRG - Highway Planning and Construction Grant

Columbia County

Procedure Step: L. Reporting
Prepared By: MDR, 7/31/2018
Reviewed By: DHO, 8/8/2018

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel:

Andrew Woods, County Engineer
Lisa Ronnberg, Accounting/Business Manager

Project costs are reviewed by the Project Manager and approved by the County Engineer (see a more detailed explanation in allowable costs). The Accounting/Business Manager receives project cost information from the County Engineer, and inputs the data into a federal expenditure spreadsheet she maintains for each project. The spreadsheets list all of the expenditures coded to the federal program. The Accounting/Business Manager utilizes this spreadsheet when she prepares the reimbursement claim form, which the County submits to the Washington State Department of Transportation (WSDOT) for reimbursement.

Once the reimbursement claim form is complete, the Accounting Manager submits it to the County Engineer for review and approval.

The County Engineer reviews the reimbursement claim for accuracy and completeness, and to ensure it is supported by underlying expenditure records. The County Engineer is also aware of expenses related to projects because he has detailed knowledge of all projects and he approves all expenditures.

Once the County Engineer has signed off on the reimbursement request, the Accounting Manager submits the requests electronically to WSDOT.

Key Control:

The County Engineer reviews the reimbursement claim for accuracy and completeness and to ensure it is supported by

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underlying records. He verifies the amounts on the reimbursement are supported by the expenditure detail worksheet and amounts reported on the claim form to ensure they match.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

The County Engineer reviews the reimbursement claim for accuracy and completeness, and to ensure it is supported by underlying records. He verifies the amounts on the reimbursement are supported by the expenditure detail worksheet and amounts reported on the claim form to ensure they match.

The County Engineer verifies the amounts on the reimbursement claim form using the supporting documentation and the expenditure detail worksheet. He compares the amounts reported on the claim form to the supporting documentation and Lisa's expenditure spreadsheet to ensure that they match. The spreadsheet includes all expenditures to date and groups expenditures by request to identify which expenditures are included with each reimbursement request.

We noted the claim was supported by the expenditure spreadsheet and all expenditure/invoice reports. During our SEFA Vouch, we reviewed all FY17 reimbursement requests for the Tucannon Road Phase 3 and Bridge Inspections projects. We verified that the expenditure/invoice report tied to the reimbursement form (at the correct percentage per the Local Agency Agreement). We also verified that the expenditure spreadsheet tied to the reimbursement report. No issues noted.

See testing at Grant Reimbursement Testing under control testing attributes G and H.
Based on our testing, this control appears to be in place and working as intended.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Final Control Risk Assessment

We assess final control risk at **LOW**.

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Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

FINANCIAL REPORTS

Selection: If there are multiple financial reports of the same type, such as reimbursement requests, select some using the small population selection table in the policy tab. If reports are less than quarterly, such as project end reports, select all of them.

1. Support: (Pre-UG & UG)

Trace the amounts reported to the auditee's accounting records or other appropriate supporting documentation.

During our SEFA Vouch, we reviewed all FY17 reimbursement requests for the Tucannon Road Phase 3 and Bridge Inspections projects. We verified that the expenditure/invoice report tied to the reimbursement form (at the correct percentage per the Local Agency Agreement). We also verified that the expenditure spreadsheet tied to the reimbursement report. No issues noted.

See testing at Grant Reimbursement Testing under Compliance attributes C and D.

2. Accuracy: (Pre-UG & UG)

Test mathematical accuracy of reports and supporting worksheets.

During our SEFA Vouch, we reviewed all FY17 reimbursement requests for the Tucannon Road Phase 3 and Bridge Inspections projects. We verified that the expenditure/invoice report tied to the reimbursement form (at the correct percentage per the Local Agency Agreement). We also verified that the expenditure spreadsheet tied to the reimbursement report. No issues noted.

See testing at Grant Reimbursement Testing under Compliance attributes C, D, and E.

3. Completeness: (Pre-UG & UG)

Test the selected reports for completeness. Review accounting records and ascertain if all applicable accounts, activity, netting items were included in the selected reports (e.g., program income, applicable credits, loans, interest earned on Federal funds, and reserve funds).

We obtained and reviewed the reimbursement requests and expenditure/invoice reports, as noted above. It appears that all applicable accounts/activity were included in the reports.

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See testing at [Grant Reimbursement Testing](#) under Compliance attribute D.

Evaluation of Results:

Did you identify any noncompliance? **No.**

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: N1. Wage Rate Requirements (Davis-Bacon Act)

Prepared By: MDR, 8/29/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done:

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel:

Robert Yates, Engineering Tech (Contract Administrator/Project Manager)

The Engineering Tech creates the bidding packet, and ensures that the entire prevailing wage clause is included in the bid packets and the signed contract once the contractor is selected.

The Engineering Tech obtains an intent to pay prevailing wages for contractors and subcontractors. The Engineering Tech uses a wage rate folder

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provided by the Department of Labor and Industries to compare state and federal prevailing wages and determine the highest of the two.

The Engineering Tech maintains a Required Document List (County-created) throughout the project to ensure all documents are obtained, including certified payroll reports. Once the construction project has begun, the Engineering Tech receives signed certified payroll from the contractors and subcontractors at the end of every week.

The Engineering Tech reviews the certified payroll and compares it to the DOL federal and state prevailing wages to ensure the contractor and subcontractor pays the higher of the two rates. The Engineering Tech reviews daily inspector reports to verify all contractors performing work that week have submitted certified payrolls.

Contractors and subcontractors submit a no activity report to the Engineering Tech to report no activity for the week.

The Engineering Tech does not approve payment of retainage, or release of bond until all the certified payrolls are submitted.

Key Controls:

The Engineering Tech creates the bidding packet and ensures that the entire prevailing wage clause is included in the bid packets and the signed contract once the contractor is selected.

The Engineering Tech reviews daily inspector reports to verify all contractors performing work that week have submitted certified payrolls.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

The Engineering Tech creates the bidding packet and ensures that the entire prevailing wage clause is included in the bid packets and the signed contract once the contractor is selected.

We reviewed the Contract Documents binder and the Amendments to the Standards Specification booklet (part of the contract) binder for the Tucannon Road Phase 3 project. We reviewed the Wage Requirements section in the Amendments binder, which referenced FHWA 1273 (not only is the general contractor subject to FHWA 1273, but they are also responsible for including it in any subcontractor agreements they create on behalf of the project). We reviewed FHWA 1273 and confirmed that the entire Davis Bacon Clause was included starting on page four.

Based on our review, it appears this control is in place and working as intended.

The Engineering Tech reviews daily inspector reports to verify all contractors performing work that week have submitted certified

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payrolls.

We obtained the project binder from the Engineering Tech and noted certified payroll reports for the Tucannon Road Phase 3 project. We scanned through all of the certified payroll reports (100% or 86 documents total) and noted that both the main contractors and the all subcontractors submitted the certified weekly payrolls. See testing at [Certified Payroll Testing](#).

We noted that in the prior year, the payrolls were date stamped or hand dated when received, had several check marks indicating review, and were signed by Robert Yates, Engineering Tech. Reviewing the documentation this year, we found that there were no dates or signatures, and very few (if any) check marks. Upon discussion with Robert and Jeff McCowen (Engineering Tech), we learned that Jeff took on the responsibility of reviewing certified payroll from Robert in 2017, but there was a miscommunication on needing to sign and date the documents to indicate review. Jeff explained he keeps an excel document that shows checkmarks for the payroll periods he has reviewed, but there are no date stamps for when the review took place. [Although there is no indication of review, all Certified Payroll documents were received, printed out, and retained. We will pass on further review.](#)

The Bridge Inspections project did not include any certified payroll as the work was done by Robert Yates, Engineering Tech and the vendor they hired under contract (Nicholls and Kovich Engineering).

Based on our review, this control appears to be in place but is not working as intended.

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Final Control Risk Assessment

We assess final control risk at **LOW**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **LOW**.

Compliance Testing

Selection: First, select some of the federally-funded construction projects during the audit period for the program, using auditor judgement. Identify the general contractor and their subcontractors for the selected project and identify their work start and end dates. Those dates can be found using filed [WA Dept. of L&I](#) intents and affidavits (use the orange download data button on that site for easier access) or site inspection reports, etc.

We selected the Tucannon Road Phase 3 project for compliance review as it is the highest project by dollar amount and represents a majority of

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the Highway Planning and Construction Grant Cluster. We found the following General Contractor and Sub-Contractors, and their Start/End Dates, for the project via the WA Dept of L&I ([PrevailingWageFormsData](#)):

Barker Inc* - Start 7/10/2017; End N/A
West Coast Soil Solutions - Start 9/1/2017; End 9/18/2017
Construction Ahead Inc - Start 7/10/2017; End 12/18/2017
M&I Livestock Inc - Start 6/27/2017; End 12/1/2017
Stripe Rite Inc - Start 11/1/2017; End 11/7/2017
Central Washington Asphalt Inc - Start 10/20/2017; End 10/31/2017
Barnes Inc - Start 9/13/2017; End 9/19/2017
Strate Line Inc - Start 9/22/2017; End N/A
Apex Surb & Turf LLC - Start 10/2/2017; End N/A
Bryan Land Surveying - Start 6/21/2017; End N/A

*General Contractor

1. [Contract Requirement:](#) (Pre-UG & UG)

Verify that the required Federal prevailing wage rate clauses were included in the general contractor's contract. The required language is found at [29 CFR 5.5](#).

We obtained and reviewed the contract for the Tucannon Road Phase 3 project with Barker Inc. We noted that the Wage Rate/Davis-Bacon Requirements were referenced by the contract amendments and Standard Specifications book (part of the contract). Specifically, the contract stated that the General Contractor is subject to FHWA 1273 (Required Contract Provisions - Federal Aid Construction Projects), and also responsible to include FHWA 1273 in any subcontractor agreements. FHWA 1723 includes the Davis-Bacon clause, in full, along with other applicable information for Federal construction projects.

We determined that the prevailing wage rate clauses were in fact included in the General Contractor's contract. No issues noted.

2. [Aware of All Subs:](#) (Pre-UG & UG)

Determine whether the entity was aware of *all* the subcontractors the audit identified. This may include confirmation with the project manager, checking whether there were any certified payroll documents on hand for the subcontractor and/or checking all subcontractors were included on tracking sheets (if any). Remember, not all types of contracts or services apply to the Davis Bacon Act.

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We obtained a list of subcontractors for the Tucannon Road Phase 3 project by reviewing the filed state intents and affidavits to pay prevailing wages for the project. We did so by searching within the 'Intents and Affidavits' database for Prevailing Wage Form Data on the WA State Dept of L&I website (<https://www.lni.wa.gov/TradesLicensing/PrevWage/IntentAffidavits/View/default.asp>). We noted an Intent filed by Rock Hill Concrete LLC and Konen Rock Products Inc for zero dollars, which did not include in our review. We found the following subcontractors and contract amounts:

West Coast Soil Solutions - \$72,812.75
Construction Ahead Inc - \$78,055.00
M&I Livestock Inc - \$190,240.00
Stripe Rite Inc - \$11,598.75
Central Washington Asphalt Inc - \$516,684.00
Barnes Inc - \$20,000.00
Strate Line Inc - \$5,000.00
Apex Surb & Turf LLC - \$10,949.20
Bryan Land Surveying - \$32,000.00

We compared this list to the list of subcontractors provided by Barker Inc and found that all actual subcontractors via L&I were included in their list. Because of this, the entity was aware of all subcontractors that actually worked on the project. Further, we reviewed certified payroll documentation and found that there were reports for each of the subcontractor's listed above. No issues noted.

3. Report Completeness: (Pre-UG & UG)

Always select the general contractor for further testing. Use auditor judgement to select subcontractors for further testing (*only select subs who worked during the audit period and to whom Davis Bacon applies*). For those selected, the auditor will test a block of time by determining whether the entity collected all weekly certified payroll reports for *all weeks* the vendor worked during the audit period.

Note: While the entity is required to check that the appropriate wage was paid – and we test their controls over that – *we do not test whether the appropriate wage was paid.*

We obtained and reviewed the Certified Payroll binder for the Tucannon Road project. There were a total of 86 certified payroll documents for the contractor and subcontractors. We chose to review the month of August to determine if certified payroll was sent on a weekly basis for Barker Inc (4 certified payroll documents) and M&I Livestock (4 certified payroll documents). We reviewed a total of 8 out of 86 (9%) certified payroll documents to determine if they were turned in weekly. We reviewed emails showing the date the documentation was sent to PW. It appears the

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County collected *all* weekly certified payroll reports for the month of August on a weekly basis for Barker Inc, however, only *one* certified payroll report for the month of August was actually received in August (on 8/8/17) for M&I Livestock. We noted that the rest of the August certified payroll was received on December 7, 2017. From reviewing the emails, it appears that M&I did not realize they had missing certified payrolls and sent a batch in to the County in December to fill in any holes. Because all certified payroll was eventually received, we will pass on further review.

See testing at [Certified Payroll Testing](#).

Evaluation of Results:

Did you identify any noncompliance? **No.**

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: N2. Administration of Engineering and Design-Related Service Contracts

Prepared By: MDR, 8/29/2018

Reviewed By: DHO, 9/7/2018

Record of Work Done.*

Inherent Risk of Noncompliance

In accordance with AU-C sec. 935, we have considered inherent risk factors that apply to this compliance requirement and assess the inherent risk of noncompliance at **LOW**.

Understanding of Internal Controls

In obtaining our understanding of internal controls over compliance, we considered the five components of internal control per AU-C sec. 315 (control environment, risk assessment, control activities, information and communication, and monitoring). See the Permanent File folder for additional documentation of our overall COSO evaluation.

Key Personnel:

Andrew Woods, County Engineer

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We spoke with Andrew Woods, County Engineer regarding internal controls over Administration of Engineering and Design-Related Service Contracts.

Whenever an engineering or design consultant needs to be hired, Public Works follows the requirements and process from the Washington State Department of Transportation (WSDOT) Local Agency Guidelines (LAG) manual chapter 31, which is approved by the FHWA. This chapter in the LAG Manual goes over the steps that need to take place to enter into a consulting agreement, as well as other special requirements for such contracts. It also requires review of Suspension and Debarment for any potential consultants.

Consultant contracts are negotiated by Public Works staff and approved by the BoCC, as described below.

When a project is created and authorized by resolution of the BoCC, it is determined if County forces can perform the design work or if all/some of the design work needs to be completed by a consultant. This determination is sent as a recommendation from the County Engineer to the BoCC. The most common reason a consultant is hired is the specialized nature of the work outside of the abilities and/or resources of County staff. Examples being structural design (requires a structural engineer license), geotechnical design (requires special drilling, subsurface investigation and lab analysis) or environmental documents (no biologist on staff). Sometimes, it is a lack of staff that necessitates the consultant.

The County currently does not have independent project/cost estimates performed for their A&E projects.

The County Engineer, or designated staff, handles the advertisement. The standard advertisement is for two consecutive weeks. Consultants are typically given a month to submit their Request for Proposal (RFP).

The County is specifically excluded from considering cost when selecting a consultant (via the LAG Manual), however, the County must still obtain an independent agency project estimate (per the LAG Manual). Selection is required to be qualification based. After selection, if the agency and the consultant cannot agree on a reasonable contract dollar amount, the agency may then go to the next most qualified candidate. The estimate is used during this subsequent discussion of dollar amount.

At a minimum, the County Engineer and the Designer will review and rank the proposals. The review and ranking criteria are specified in the RFP. The top three, after the initial qualifications review, are then interviewed (typically by telephone) by the same County staff. After the interviews, the PW team begins the negotiation process with the top candidate.

Once the negotiations are complete, the County uses the standard consultant agreement from the WSDOT Local Agency Guidelines (LAG) manual. The contract is signed by the consultant and then presented to the BoCC for approval and signature from the Chairman.

Please note: Public Works does not charge Indirect Costs to Federal grants. Indirect Cost requirements are not applicable. Also, Public Works did not have any engineering and/or design-related consultants acting as management support, making the special requirements not applicable.

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Key Control:

The County Engineer is responsible for ensuring A&E project vendors are procured via the most restrictive method, including the following: 1) advertising the need for services in the paper of record, 2) evaluating applicant qualifications, 3) selecting and negotiating with the most qualified firm, and 4) executing the contract (including applicable supplements). He advertises the project for two consecutive weeks and allows a month for proposals to be submitted. He ensures a qualifications-based approach when evaluating Engineering and/or Design Consultant firms for services on Public Works' projects. He reviews the qualifications listed on the Request for Proposal (RFP) turned in by the firm, and compares them to the needs of the project. The most qualified candidate is selected for negotiations. He refers to the WSDOT Local Agency Guidelines (LAG) Manual for policies and procedures relating to such services. (Procurement / FHWA Requirements)

Evaluation of Results:

Did you identify any control deficiencies? **No.**

Preliminary Control Risk Assessment

Based on our understanding of key internal controls, we assess preliminary control risk at **LOW**.

Internal Control Testing

The County Engineer is responsible for ensuring A&E project vendors are procured via the most restrictive method, including the following: 1) advertising the need for services in the paper of record, 2) evaluating applicant qualifications, and 3) selecting and negotiating with the most qualified firm. He advertises the project for two consecutive weeks and allows a month for proposals to be submitted. He ensures a qualifications-based approach when evaluating Engineering and/or Design Consultant firms for services on Public Works' projects. He reviews the qualifications listed on the Request for Proposal (RFP) turned in by the firm, and compares them to the needs of the project. The most qualified candidate is selected for negotiations. He refers to the WSDOT Local Agency Guidelines (LAG) Manual for policies and procedures relating to such services. (Procurement / FHWA Requirements)

We asked to see the advertisement in the paper of record, and were told by Robert Yates, Engineering Tech, that this project was only advertised to two vendors from the County's Consultant Roster rather than being publicly advertised in the paper of record. We obtained the two emails to the vendors from the roster (sent Nov 29, 2016). We noted that those were the only two vendors that submitted proposals. With further discussion we learned that the County used this method of advertising due to section 31.3 in the LAG Manual that discusses selection of consultants from a consultant roster. However, because Federal dollars were used to pay the vendor for this A&E project, according to Uniform Guidance the project must be publicly advertised to allow maximum open competition. We will issue a recommendation (see below).

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We obtained and reviewed the Proposals for the two firms that sent in proposals for the Bridge Inspections project. We skimmed through their proposals and noted that they discussed their various qualifications relating to the project. We also obtained and reviewed the notes of Andrew Woods, County Engineer and Robert Yates, Engineering Tech that discussed the pros and cons of each choice in relation to the Bridge Inspections project. It appears that the firms applying for the project were assessed based on their qualifications.

Based on our review, it appears this control is in place and working as intended.

Evaluation of Results:

Did you identify any control deficiencies? **Yes.**

Public Works advertised their A&E project to qualified vendors on their consultant roster rather than advertising in the newspaper. Per Uniform Guidance, A&E projects must be publicly advertised. Because the County did not publicly advertise their A&E project for bids/proposals, our compliance exception is equal to the amount paid to the chosen A&E vendor (\$53,879). The amount comprises 6% of our total program expenditures (\$924,725). We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material. Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a Material Weakness if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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	<p>Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p>(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below), and</p> <p>(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (Refer to Note 2 below.)</p>	-
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Final Control Risk Assessment

We assess final control risk at **HIGH**.

Risk of Material Noncompliance

We assess the risk of material noncompliance at **MODERATE**.

Compliance Testing

Procurement:

A. Select procurement transactions and test to determine if the entity complied with the most restrictive *competitive* procurement method of state, local and federal requirements based upon applicable thresholds. If competition is limited or there is no competition, determine if the rationale was allowable per federal rules.

- Note that if federal funds are used to pay for A&E services, the grantee must ensure the federal and state procurement requirements are met. For the most part, the requirements are the same, however, the federal requirements include additional responsibilities such as publicizing the evaluation factors and having a written method for conducting technical evaluations of the proposals received and for selecting recipients.

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We reviewed the Bridge Inspections project to determine if the County complied with the most restrictive competitive procurement method based on applicable thresholds. We found that there is no Federal or State threshold for A&E. The County follows the LAG Manual for A&E Procurement processes. During our review, we noted the following:

- The County did not document the consultant selected and reasons why this consultant was chosen over others. There were notes indicating that interviews took place, but no final determination of the vendor chosen and why. We will issue a recommendation (see below).
- The County did not retain documentation showing that they verified the consultant status at WA State Dept of L&I for suspension and debarment purposes. See S&D review at [I. Procurement/Suspension and Debarment](#).
- The County advertised the project to qualified vendors on their consultant roster rather than advertising in the newspaper (we reviewed the emails to the vendors, sent November 29, 2016). Per Uniform Guidance, A&E projects must be publicly advertised (except for instances of emergency). We will issue a recommendation (see below).

FHWA Requirements:

A. Engineering and Design Procurement Policies

Verify that the State DOT or recipient LPA has written policies and procedures for procurement of engineering and design services and that those procedures have been approved by the FHWA. For subrecipient LPAs, verify that they are using written policies and procedures prescribed by the awarding State DOT or that the subrecipient's written policies and procedures have been approved by the State DOT.

We spoke with Andrew Woods-County Engineer, Robert Yates-Engineering Tech, and Lisa Ronnberg-Accounting/Business Manager regarding the written policies and procedures for procurement of engineering and design services. They explained that Public Works follows the requirements and process from the Washington State Department of Transportation (WSDOT) Local Agency Guideleines (LAG) manual chapter 31, which is approved by the FHWA. See our review of procurement policies in the "I. Procurement/Suspension and Debarment" section.

B. Indirect Cost Rate

1) Verify that contracting agencies are accepting the appropriate indirect cost rates.

Not applicable. The County does not charge indirect costs to their Federal grants.

2) Verify that consultants and sub-consultants have submitted to the contracting agency a "Certificate of Final Indirect Costs."

Not applicable. The County does not charge indirect costs to their Federal grants.

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C. Consultants as Management Support

Verify that contracts for consultants acting in a management support role have been approved by FHWA or are covered by an FHWA-approved alternate procedure.

We spoke with Andrew Woods-County Engineer and Lisa Ronnberg-Accounting/Business Manager regarding contracts for consultants acting in a management support role. They explained that Public Works did not hire Engineering and/or Design Consultants as management support in 2017.

Evaluation of Results:

Did you identify any noncompliance? **Yes.**

Public Works did not retain written documentation of which vendor was selected for the Bridge Inspections project, including why that vendor was chosen over others. This is a requirement per the LAG Manual Chapter 31 for A&E projects. There were notes taken during interviews of each of the vendor that applied for the project, but no final determination of which vendor was chosen and why. We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is remote and the magnitude of potential noncompliance to be less than material. Therefore, we will assess control risk at LOW. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)
More than Remote (at least reasonably possible)	If the deficiency does not meet the criteria below for a significant deficiency: Control deficiency (Control risk is LOW)	Assess control risk as HIGH and report a finding for a <u>Material Weakness</u> if the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)

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	<p style="text-align: center;">Assess control risk as HIGH and <u>report a finding for a Significant Deficiency</u> if:</p> <p style="text-align: center;">(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (<i>refer to Note 1 below</i>), and</p> <p style="text-align: center;">(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (<i>Refer to Note 2 below.</i>)</p>	

Public Works advertised their A&E project to qualified vendors on their consultant roster rather than advertising in the newspaper. Per Uniform Guidance, A&E projects must be publicly advertised. Because the County did not publicly advertise their A&E project for bids/proposals, our compliance exception is equal to the amount paid to the chosen A&E vendor (\$53,879). The amount comprises 6% of our total program expenditures (\$924,725). We used the SA decision matrix below to evaluate our results. We concluded that the likelihood of noncompliance is more than remote and the magnitude of potential noncompliance to be material. Therefore, we will assess control risk at HIGH. We will issue a recommendation. Finding - Federal PW A&E Procurement Method FinalLOR Summary

Likelihood of Noncompliance	Magnitude of Potential Noncompliance	
	Less than Material	Material
Remote	Control deficiency (Control risk is LOW)	Control deficiency (Control risk is LOW)

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More than Remote (at least reasonably possible)	<p style="text-align: center;">If the deficiency does not meet the criteria below for a significant deficiency:</p> <p style="text-align: center;">Control deficiency</p> <p style="text-align: center;">(Control risk is LOW)</p>	<p style="text-align: center;">Assess control risk as HIGH and report a finding for a <u>Material Weakness</u> if</p> <p style="text-align: center;">the control deficiency(ies) did, or could, lead to noncompliance of 10% or more of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below)</p> <p style="text-align: center;">-</p> <p style="text-align: center;">-</p>
	<p style="text-align: center;">Assess control risk as HIGH and report a finding for a Significant Deficiency if:</p> <p style="text-align: center;">(1) the control deficiency(ies) did, or could, lead to noncompliance between 5%-10% of total grant expenditures (quantitative) OR the activity (qualitative) (refer to Note 1 below), and</p> <p style="text-align: center;">(2) the grantor, inspector general, and/or the public views the issue as being important and would expect corrective action to be taken. (Refer to Note 2 below.)</p>	

E.2.PRG - Highway Planning and Construction Grant

Procedure Step: REQUIRED - Program Summary - UG

Prepared By: MDR, 7/11/2018

Reviewed By: DHO, 8/8/2018

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Record of Work Done.:

We summarized the results of the major program audit: Major Federal Program - Local teams

F.1.PRG - BARS Cash Basis

Procedure Step: Entity Operations - BARS Cash Basis

Prepared By: MDR, 7/3/2018

Reviewed By: DHO, 7/3/2018

Record of Work Done.:

We gained an understanding of the government's operations based on inquiry of management, observation and inspection during the course of the current and prior audits, along with review of the planning guide and other procedures performed as part of the planning steps. We noted the following key elements regarding the government and its environment in addition to our general understanding documented in the planning guide.

JOINT VENTURES AND RELATED PARTIES

We have identified no component units, joint ventures, joint operations or jointly governed organizations which may need to be evaluated for note disclosure.

We have identified no related parties in addition to entities listed above and not including government officials, executive management and their immediate families.

KEY OPERATIONAL INFORMATION

We noted the following key information about the government's operations and environment in addition to our general understanding documented in the planning guide:

The County serves many functions, which are as follows:

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- The Assessor determines the value of all taxable real and personal property in the county for the purpose of distributing tax liabilities in an equitable manner. In addition, the Assessor is responsible for processing and maintaining records regarding tax exemptions, including senior citizens, historical properties, churches, and public properties as well as programs such as open space and forest land.
- The Board of County Commissioners is the executive and legislative authority for Columbia County and as such strives to assure that the business, services and functions of the county proceed with efficiency and integrity, using sound judgment and best practice.
- The superior court is the court of original jurisdiction for all felony criminal proceedings, cases involving contract disputes, landlord-tenant disputes, real estate matters, personal injury suits, domestic relations, probate, juvenile cases, and civil claims over \$25,000. The superior court also has appellate jurisdiction in cases arising in courts of limited jurisdiction (municipal and district courts) and hears appeals involving decisions by an administrative law judge.
- The county treasurer is the custodian of all funds for the county and its governmental subdivisions, maintaining financial records reflecting the receipt and disbursement of funds in accordance with generally accepted accounting principles. Funds are disbursed on warrants issued by the county auditor and other district authority. The treasurer bills and collects all real and personal property taxes certified on the tax rolls of the county, including foreclosure proceedings against properties for the non-payment of tax. Funds held in the county treasury are invested for the benefit of the various funds in accordance with statutory guidelines. The treasurer accounts for and pays all bonded indebtedness for the county and its governmental subdivisions. In addition, the treasurer acts as agent for the Department of Revenue in the administration of real estate excise tax and administers all surplus property sales for the county.
- The auditor provides a principle support function in the auditing, recording, and control of financial transactions in the county as prescribed by state law. These functions include preparation of the county budget and the annual financial reports. The auditor serves as custodian of public records, including land records, and issues a variety of licenses. In particular, the auditor may operate as a vehicle/vessel licensing agent of the director of the State Department of Motor Vehicle Licensing and coordinates with vehicle/vessel licensing subagents. The auditor is the ex officio supervisor of all primary, general and special elections for all state, county and special purpose districts under the direction of the Secretary of State. The elections division has three areas of responsibility including administration of elections, voter registration and voter outreach.
- The public works department maintains the county roads and other structures and provides solid waste services to those that live within the County.
- The County operates its own fair grounds, a golf course and horse race track on the fair grounds.
- The County has a contract with Blue Mountain Counseling for mental health services. The County owns the building/property that Blue Mountain Counseling leases. In addition, we noted that the County owns the Senior Citizen Center.
- The County operates its own public health department. The public health department used to be a separate entity, but has joined under the county for additional accountability.
- The Sheriff's Office contracts with the City of Dayton to provide police services to the City. The home of the Columbia County Sheriff's Office lies within the Columbia County Courthouse; the oldest operating courthouse in the State of Washington. Built in 1887,

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its historic architectural heritage has been preserved through a determined restoration effort. On the ground floor are the Columbia County Communications Center and the Sherriff's Office. The jail facilities are the brig of a ship that was placed on the foundation and the courthouse was built around it. The restoration included as much of the original building as possible. The front and back steps are original and were cast at the Walla Walla Iron Works. The Second floor contains the offices of the Auditor, Treasurer, Assessor, and Superior Court. There are many authentic photographs on the walls. The third floor contains the County Commissioners' Office and one of the most extraordinary and beautiful courtrooms to be found. Court is usually held two or three times a week. Restoration of the courtroom included the return to the original configuration of the courtroom, complete with balconies, cove ceilings and Italian chandeliers. The balconies are open for public use. The clock, judge's bench, jury chairs and benches are all original. In 1915, two Confederate civil war mountain howitzers arrived from the United States War Department and were placed on display in the front courtyard on either side of the walkway. The Columbia County courthouse was placed on the National Register of Historic Places in 1975.

- We identified no significant accounting estimates.

Service Organizations:

We identified no service organizations.

SPECIAL COMPLIANCE REQUIREMENTS AND POLICIES

We noted no special compliance requirements or information in addition to our general understanding documented in the planning guide.

SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

We noted the following key information about the government's accounting and reporting in addition to our general understanding documented in the planning guide:

- The government keeps accounting records and reports on a cash basis in accordance with the Cash Basis BARS Manual, which is a special purpose framework. Our understanding of the purpose, intended users and steps taken to ensure the appropriateness of this well-established framework is described in the BARS manual.

Significant Estimates:

We identified no significant accounting estimates.

F.1.PRG - BARS Cash Basis

Procedure Step: Entity-Wide COSO Evaluation

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Prepared By: MDR, 8/27/2018

Reviewed By: DHO, 8/27/2018

Record of Work Done:

We gained an understanding of the government's control environment, risk assessment, information/communications and monitoring as relevant to our audits based on inquiry of management, observation and inspection during the course of the current and previous audits, prior audit results and procedures performed as part of planning steps.

Control Environment

We updated our understanding of the actions, policies, and procedures that establish a culture and reflect the overall attitudes of management and the governing body about internal control and noted the following:

- Management has been responsive to prior audit issues. They have communicated well and appear to be communicating honestly during prior audits. Management has brought known or suspected weaknesses to the attention of our office without prompting during previous audits.
- Commissioners appear to be very involved in the financial activities of the County as noted in the minute review. Past auditors have noted that they regularly see Commissioners during the audit at the Courthouse.

Risk Assessment

We updated our understanding of management's identification, assessment and response to relevant risks and noted the following:

- Risk assessment is done ad hoc see at [Risk Assessment Inquiry](#).
- Management generally appears to have identified risks, accurately assessed the significance and likelihood of risks, and taken appropriate actions to address them.
- While there is no formal process for identifying risks at the County. The organization is committed to safeguarding public resources and this attitude is prevalent from the Commissioners to the lower level staff at the County. The management of the County encourages all employees to be proactive in finding possible risks or problems and proposing solutions.

Information and Communications

We updated our understanding of communication processes and accounting systems and noted the following:

- We have summarized Key Software Applications at [Key Software Applications - Local Govt.](#) Payroll, accounts payable (vendor payments), and general cash receipting, are significant systems that are part of the financial statement numbers. These systems do not appear to be included in the spreadsheet. Do we need to add them? Are there any risks with these systems? Excel issue with spreadsheet. Now updated.

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- Official policy appears to be adequately communicated.
- Reports and information available to managers and supervisors appears to be adequate.
- Communications between management and the governing body appear to be adequate.
- Communications with external parties as needed (such as regulatory agencies or service organizations) appear to be adequate.
- The organizational structure generally appears to facilitate accountability, communication, and resolution of issues.
- No exceptions, such as departments or major areas with inadequate information systems or lack of communication with key personnel, were noted.

Monitoring

We updated our understanding of management's processes to evaluate the adequacy and effectiveness of the government's own internal controls and noted the following:

- The Board and finance personnel conduct quarterly update meetings.
 - The County actively encourages personnel to bring up issues with the control process.
- Any noted weaknesses are brought to the Auditor's attention and she will recommend a resolution to the Board.

Control Activities

Control activities are the policies and procedures that help ensure necessary actions are taken to address control objectives. Relevant control activities are identified and evaluated separately for each system.

F.1.PRG - BARS Cash Basis

Procedure Step: FS Controls - BARS Cash Basis

Prepared By: MDR, 7/3/2018

Reviewed By: DHO, 8/6/2018

Record of Work Done.:

The following is our understanding of internal controls over financial reporting. In gaining our understanding, we considered the five components of internal control based on the COSO framework (control environment, risk assessment, control activities, information and communication, and monitoring).

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1. Understand & Confirm Controls over Financial Statement Preparation

Key Personnel

Sharon Richter, County Auditor, With County since 1989

Cindy Haris, Cheif Deputy Auditor, Since 2005

Cathy Abel, Deputy Auditor/Payroll, Since 2011

Audrey McLean, County Treasurer, Since 2006 (With Treasurer's office since 2001)

Cathy Shochet, Deputy Treasurer, Since 2016

Lisa Ronnberg, Accounting Manager - County Road Department

Software

- The County uses the BARS Accounting System - developed externally by RC Technology and used by the Auditor's Office to account for all transactions and general ledger accounts.
- Payroll System - developed externally RC Technology and used by the Auditor's Office to account for all payroll transactions.
- Microsoft Excel - numbers are input from the systems into spreadsheets to produce all of the actual financial statements.
- The Treasurer's Office and the Assessor's Office that has implemented a Tax Collection program that allows the assessor's information to interact with the Treasurer's office. This program has not affected the BARS system yet.
- A stand alone accounting system maintained at County Road to capture all of the data related to that department's activities (CAMS). This system is for job costing purposes. All County Road expenditures are processed through the Auditor's office.

Journal Entries/ Transfers

- The County Auditor, Sharon Richter and Deputy Auditor, Cindy Harris both have the ability to make journal entries and year-end adjusting journal entries. The majority of entries are made by Cindy.
- The majority of Journal Entries are routine payroll adjustments and payroll reports are retained to support the adjustment. When a correcting type entry is made, Sharon keeps the supporting documentation and attaches it to a printout of the adjustment made. The journal entry and support are kept in the Journal Entry binder. All department heads oversee their fund and department budgets, therefore payroll adjustments made would be reviewed by the departments in their monthly review of the budget to actual activity reports.
- Transfer entries are made by Audrey McLean, County Treasurer or Sharon and must be approved by the Commissioners through a resolution authorizing the transfer, or through a resolution allowing recurring transfers. Most of the transfers are made as part of the approved annual budgets and go before the Commissioners at the time of the budget review. Sharon reviews all transfers initiated by Audrey to ensure they are allowable, amounts are supported and accurate.

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- The Treasurer's office also performs monthly interfund transfers.
- The Auditor gives the Treasurer notices of monthly transfers per budget, and interfund transfers per Board resolution.
- The Treasurer posts these transfers and gives them to the Auditor for review. She includes a Summary and a system-generated Journal Listing showing all the transfers that were made. These transfers include transfers of utility taxes to the Current Expense fund, normal operating support of other funds by the Current Expense fund, and normal claims clearing postings.
- On a monthly basis, Sharon sends a hard copy of the Account Analysis Report from the GL to each department head for review of account coding. Audrey sends a hard copy of the County Treasurer's Month End Report to each department head for review with the Account Analysis Report. Any coding errors or journal entry corrections are communicated to Sharon by the department heads and an adjustment is made the following month.
- Most journal entry adjustments are initiated through a department request to correct coding or other reason. Sharon maintains these requests with her supporting documentation in the journal entry binder.
- There is no review of individual adjustments within the auditor's office. However, after making the adjustments and transfers, Sharon sends a report of the changes to the department that made the request so that they can see the changes that took place. Also, adjustment details roll up into the monthly financial statements and account analysis reports (produced directly from the accounting system) submitted to and reviewed by each department for errors.
- The Treasurer's office also prepares correcting type entries for miscoding made during the receipt of revenue. These are performed by the Treasurer and deputy Treasurer, supporting documentation of the correction is kept with the corresponding receipt.
- **The Auditor reviews the journal entries/transfers to ensure they are performed correctly, are complete, and are properly supported. The Auditor matches up the amounts from the support to journal entry. She checks the debits and credits and ensures the accounts are coded correctly based on the purpose of the entry. (KC1)**

Financial Statement Preparation:

Sharon Richter, County Auditor, is responsible for preparing:

- Expenditures for C-4, C-5 and Schedule 05 and Schedule 04. This is a collaborative effort with the Treasurer. Statements are then reviewed by the Chief Deputy Auditor, Cathy Harris who documents her review using a checklist.
- Schedule 10 - Schedule of Indebtedness
- Schedules 11 - Schedule of Cash Activity
- Schedules 13 and 14- Schedule of Short-Term Investments and Interest Bearing Debt

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- Schedule 16 - Schedule of Expenditures of Federal Awards (based on input from departments)
- Schedule 19 - Schedule of Labor Relations Consultants Reporting
- Notes
- Sharon is knowledgeable of reporting requirements and follows the BARS manual to prepare financial statements and notes.

Audrey McLean, County Treasurer, is responsible for preparing:

Audrey was appointed County Treasurer in 2006. Audrey has worked for the Treasurer's office since 2001.

- Revenues for the C-4, C-5 and the Schedule 04
- Schedule 7 - Schedule of Warrants Payable
- Schedule 10 - Schedule of Indebtedness
- Schedule 11 - Schedule of Cash Activity

Lisa Ronnberg, Accounting Manager - County Road Department is responsible for the following schedules:

- Revenue and Expenditure information for C-4 and C-5 for departments managed at County Road (County Road, Solid Waste, Solid Waste Reserve, ER&R, Special Paths & Trails, Flood Hazard Management, etc.)
- Schedule 17 - Annual Report on Public Works Projects

- The Treasurer maintains all Treasurer Accounts in the Columbia County Financial Management (CCFM) System.

- All transactions are recorded in the manual Excel (spreadsheet) cashbook and in the accounting system.
- Monthly reports are printed from the system and forwarded to the Auditor's office.
- Excel reports are also generated for all cash and investment transactions and compared to the report totals generated by the accounting system.
- The Treasurer compares the deposit summaries from the County Road and ER&R funds and compares them to amounts on CCFM to ensure the amounts are correct.

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- The Auditor's Office also keeps track of the expenditures of each fund, except for the larger funds (e.g. County Road, ER&R). The expenditures of the larger funds are kept on a higher level (without detail) on the general ledger, with the goal of balancing expenditures in total, rather than in detail.
- Reports of the departments are compared in total and then by fund and line items.
- Sharon agrees the line items to the information provided by County Road, as well as making sure they agree in total.
- Schedule 11 is prepared by both the Auditor and Treasurer to ensure that the balances are accurate. Sharon uses her Schedule 11 as the basis for the financial statements after reconciling with Audrey's.
- The Notes to the financial statements are prepared by both the Auditor and the Treasurer as they relate to each department. Both use the supporting documentation that they use to prepare their schedules and statements to prepare the corresponding note disclosures.
- Cindy Harris, Deputy Auditor, Responsible for reviewing all financial statements and notes after initial preparation. Cindy uses a checklist "Internal Review of Annual Financial Report" to ensure all schedules and reports are reviewed for accuracy and completeness. She prints a hard copy of all schedules and reports and performs her review making notations as necessary. **Cindy Harris, Deputy Auditor, reviews the financial statements and the financial statement notes in detail after Sharon and Audrey have prepared them. She ensures Schedule 05 from the Public Works Department agrees to the general ledger and statements. She reviews the schedules and notes to ensure they are accurate, complete, and updated. (KC2)**
- Once reviewed by Cindy, Sharon files the schedules and notes online. Any Non-trivial yellow flags identified by online filing are researched by Sharon and are either explained or resolved.

Confirm Controls:

The Auditor reviews the journal entries/transfers to ensure they are performed correctly, are complete, and are properly supported. The Auditor matches up the amounts from the support to journal entry. She checks the debits and credits and ensures the accounts are coded correctly based on the purpose of the entry. (KC1)

We obtained the 2017 journal entry file from Sharon Richter, County Auditor. We noted journal entries were filed by type of entry and were divided by tabs such as payroll entries, adjusting entries, transfer entries, etc. We noted that journal entries were supported, and the support was attached and filed with the journal entry. Transfer entries contained the Treasurer's summary and Journal Listings for each month of 2017. We noted each transfer appeared to be supported by memos, invoices, resolutions and other supporting documents.

Sharon also explained that each department is sent monthly financial reports from the system. The monthly reports includes revenue, expenditure and budget analysis reports that the departments review as an additional compensating control to ensure interfund and adjusting entries are accurate and as scheduled.

Based our review, it appears this control is in place.

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Cindy Haris, Chief Deputy Auditor, reviews the financial statements and the financial statement notes in detail after Sharon and Audrey have prepared them. Cindy reviews the financial statements using the checklist provided by the State Auditor's Office. The checklist is detailed and helps her tie amounts to the statements. She ensures Schedule 05 from the Public Works Department agrees to the general ledger and statements. She reviews the schedules and notes to ensure they are accurate, complete, and updated. (KC2)

We obtained and reviewed the 2017 Annual Report Working File folder and noted the checklist that contained checkmarks and notes. Cindy explained that she follows the checklist to ensure statement amounts agree with various schedules and reports, and provides checks of beginning and ending balances. During our review of the file, we noted it contained the C-4 & C-5 statements and required schedules (including 09 and 16). We also noted check marks, notes and other indications of review on the required statements.

Please note: The notes were not included in the file because, due to a time crunch in the office, the notes were not ready for Cindy's review when she reviewed the statements and schedules. She did not get back to her review folder before we requested it, so the checklist is not signed or dated as she had not yet completed her review of the notes.

Cindy refers to the checklist throughout her review of the financial statements to determine if they appear accurate. Per our review of the Annual Financial Report checklist, it appears to have adequate information to provide guidance in reviewing the financial statements.

Based on our review, it appears this control is in place.

2. Understand & Confirm Controls over Cash Flow Reconciliation

- The County has a written Investment Policy. Per the Investment Policy and by authority of RCW 36.39.020, the County Treasurer is the authorized investment officer for the County and its taxing districts.
- Per the Investment Policy, the County has a Finance Committee consisting of the County Treasurer, County Auditor, and the Board of Commissioners. The committee meets quarterly per policy to discuss the County's investment portfolio and its performance. The Treasurer also provides monthly cash and investment reports to the Board of Commissioners and the Finance Committee.
- As the authorized investment officer of the County, the Treasurer is aware of any residual funds available for investing. To make sure that there are enough funds available to clear any outstanding warrants or expenditures that may come in, she communicates with the County Auditor first to determine if the amount she wants to invest would leave sufficient funds to cover those items, and not cause any account to overdraw.

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- Before the Treasurer makes an investment she calls different financial institutions and obtains each institution's interest rate, and selects the one with the highest rate available to invest the funds. If the highest rate is with the County's bank that holds their main checking account, she will phone the bank and have the money transferred. If the highest rate is with another institution, then a check is written for the amount of the investment and taken or sent to the bank where the funds are to be invested.
- The Treasurer tracks and reconciles the cash received and expended on a daily basis by manually entering daily activity into an excel workbook called "Cash Book". A hard copy is printed and kept in a binder. Included in the Cash Book reconciliation are the investments, sales/purchases, and the investment balance. The Treasurer and Deputy Treasurer reconcile the cash book at the end of each day ensuring revenues and expenditures are recorded accurately. Daily cash activity is entered by either Cathy or Audrey and reviewed at the end of each day.
- Throughout the day, the Treasurer or Deputy Treasurer fills out the check register for the day's deposits and warrants.
- On a monthly basis the Deputy Treasurer reconciles warrants to the Cash Book and bank statements. Cathy obtains online bank account information and enters the warrant information into an excel reconciling spreadsheet to ensure amounts that cleared the bank match the the bank statement and the warrant register. Cathy performs this for all warrant accounts/claims clearing accounts.
- On a monthly basis, the Treasurer reconciles the monthly bank statements to the Cash Book spreadsheet and the check registers. The bank statements are routed to the Deputy Auditor for review.
- **Audrey McLean, Treasurer reviews the bank statements, check registers, and cash book to ensure cash flow activity reconciles. Audrey reviews to ensure the ending balance in all bank accounts is reconciled to the total cash and investments recorded in the GL. (KC1)**
- Besides performing the daily Cash Book reconciliation, the Treasurer prepares a quarterly investment report that is given to the Commissioners and the Finance Committee.
- The Auditor receives the report and reviews it to see if the activity and interest rates appear reasonable based on Finance Committee discussions, and compares the amounts to the previous month to review for consistency.

Confirm Controls:

Audrey McLean, Treasurer reviews the bank statements, check registers, and cash book to ensure cash flow activity reconciles. Audrey reviews to ensure the ending balance in all bank accounts is reconciled to the total cash and investments recorded in the GL.

We obtained the County's bank binders for 2017 which contained the bank reconciliations for each account. We scanned through the binders and noted there was a bank reconciliation for each month of FY 2017. Next, we noted each reconciliation was initialed and dated as reviewed by Audrey and/or Cathy.

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Additionally, Audrey showed us her month end Treasurer's report showing taxes, receipts, and disbursements for each fund. The report includes a "Totals All Funds" page that reports the total for each fund including a grand total, total investment, and residual amount left in funds after investments. She reviews this report against the Current Month Account Analysis report generated from the GL which is prepared by the Auditor. The Account Analysis report shows amounts by account and department for each fund for the current month, TYD totals, budgeted amount, and budget remaining. The reports are reconciled to ensure cash and investment amounts agree to the GL. The two reports are then provided to the Commissioners for review each month. We noted that all months were included from FY17, and that there was an Account Analysis report for each month as well. Both reports included checkmarks and notes from the reconciliation.

Based on this review, it appears the control is in place.

3. Understand & Confirm Controls over Additional Risks Identified

No additional risks identified.

4. Control Risk Assessment

We determined that substantive procedures alone will be effective to reduce detection risk to an acceptably low level. Therefore, our final control risk assessment is MAXIMUM for all material balances.

In gaining and confirming our understanding of controls, we noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses.