

County Audit Planning Guide



March 30, 2018

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Planning Guide Information

Supersedes previous planning guide dated April 19, 2017. Please direct questions or suggestions to the county specialists.

Guidance is based on the extensive research, brainstorming and reviews conducted as part of the [planning guide update process](#). Guidance is intended only for internal use to help auditors gain an understanding of counties. The guide is intended to enhance planning and risk assessment procedures, not replace them. Information in the guide should therefore be considered along with other planning and risk assessment procedures. While guidance is designed to be as comprehensive as feasible, auditors must be alert for audit issues and situations not specifically addressed.

This guide is used by the State Auditor's Office staff as they plan audit engagements. Information presented in this document does not represent policy or legal guidance. State agencies and local governments should contact their legal counsels with specific questions.

WHAT'S NEW

Auditors should be aware of the following:

- [Brainstorm](#) – Auditors should brainstorm with Team Local ISA as part of the audit planning process; the Key Software Application spreadsheet should be completed prior to the brainstorm.
- [Financial management policies and resources](#) - MRSC, in partnership with SAO, has developed a series of online resources to help local governments develop and adopt effective financial policies and procedures.
- [Know Before You Go](#) –Auditors should take this class before auditing their first county.
- [Potential oversight agencies](#) – A list of potential oversight agencies has been included for consideration of risk of non-compliance.
- [GASB Tracker](#) - An updated listing of select GASBs that may need to be evaluated during the audit, as well as links to the full GASB statement, is available on the FAC SharePoint page.
- [Information systems considerations](#) – Guidance updated on requesting electronic data, electronic data available and IT related testing strategies.
- [IT risks](#) – Guidance added on IT risks related to user access and data backup & recovery.
- [Odyssey fraud risks](#) - Two recent fraud investigations have identified weaknesses in the Odyssey system used by Superior Courts and County Clerks. Auditors are encouraged to consider this area for audit for those counties that have implemented and used the Odyssey system for a full year or more.

REQUIRED RISKS TO ASSESS

The following risks must be documented as red flags and discussed during brainstorming to ensure sufficient consideration. They should be prioritized for audit to the extent they are applicable and significant to the county.

Restricted Funds

Of the restricted funds presented in [Appendix 2](#), some funds are more likely to have more resources than others and be at higher risk for inappropriate use. Auditors should brainstorm particular areas of risk for restricted funds, considering those that have the most resources. Counties with declining financial condition are more at risk for improper use of restricted funds, but this could also be an area of risk for counties closely monitoring financial condition and looking for ways to sustain operations, particularly in the general fund. The following are some areas that could be of higher risk (*not required to audit all of these every year*):

- 1) *Overhead costs.* Overhead costs consist of the costs of central services or support functions shared across departments. They may include accounting, human resources, payroll, information technology, janitorial services and others. Overhead costs may include not only the salaries, wages and benefits of the employees who work in these departments, but the utilities, supplies, information technology, building maintenance and other costs that support these employees. Typically, such services are initially paid through the general fund or an internal service fund and charged back to the departments and programs that directly benefited from them. The cost allocation process must be guided by an **overhead cost allocation plan** that describes how the organization will allocate costs reasonably and equitably across funds and departments and identifies the documentation required to support the charges. [TeamMate testing strategies are available for this area in the folder Accountability | Compliance Requirements | Interfund Transactions.](#)
 - SAO has issued a performance audit report relevant to this topic for counties: Local Government Allocating Overhead Costs, issued November 28, 2011.
- 2) *Internal service funds* - Counties are expected to have internal service funds (i.e. funds that provide services to other county funds and in some cases outside parties). Examples of internal service funds include equipment rental and revolving (ER&R) funds, insurance funds, computer replacement funds, and building rental funds. Internal service funds charge other county funds for the cost of the goods and services provided. [TeamMate testing strategies are available for this area in the folder Accountability | Compliance Requirements | Interfund Transactions.](#) Two notable risks associated with these funds include:
 - 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.

- Unallowable disbursements: There is a risk that expenditures could be charged to these funds that do not relate to the program or services being provided.
- 3) *County Road Fund* – 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. [TeamMate testing strategies are available for this area in the folder Accountability | Compliance Requirements | Restricted Funds | City/County Restricted Funds.](#)
 - 4) *Building permit fees*: See details in [Appendix 2](#) and accountability audit/compliance requirements sections regarding what these funds may be used for. Counties may collect fee revenue to fund future costs such as permitting system replacements, but the resources need to be identified as restricted. Controls should be in place to ensure funds are spent for intended purpose.
 - 5) *Interfund loans and transfers*. Interfund loans from restricted funds should be repaid within three years; otherwise, they could be considered a permanent diversion of funds. [TeamMate testing strategies are available for this area in the folder Accountability | Compliance Requirements | Interfund Transactions.](#)

County Fairgrounds

RCW 36.37.040 states in part: The board of county commissioners may employ persons to assist in the management of fairs or by resolution designate a nonprofit corporation as the exclusive agency to operate and manage such fairs.

The county fair may be operated as a department within the general (current expense) fund or it may be operated as a separate County Fair Fund. If a fair fund is established and borrows from the general (current expense) fund, interfund loan procedures must be followed, except that no interest on the interfund loan needs to be charged. In addition, the board of county commissioners may authorize the county auditor to provide a revolving fund to be used by the fair officials for the conduct of the fair.

Auditors should inquire about how the county is operating the fairgrounds. If persons have been employed to assist in the management of the fairgrounds we would expect the County to have controls in place to ensure funds receipted at the fairgrounds are adequately safeguarded from theft or loss and deposited in the County treasury. We would also expect the county to report the operations from the fair in accordance with the BARS manual and follow the minimum requirements for the establishment and operation of revolving funds.

County Road Levy Diversion and Allowable Uses

Counties use property tax levies to collect funds for county roads. RCW 36.33.220 allows counties to divert a portion of these funds to the current expense fund for any service to be provided in the unincorporated area of the county. The County Road Administration Board (CRAB) requires counties that divert funds to have the sheriff certify that all diverted revenues are used for purposes of traffic law enforcement. In order to be eligible for Rural Arterial Program (RAP) funding, counties must complete this certification. A recent AGO opinion (2017-01) clarifies what activities are considered traffic law enforcement. Note: This requirement is only applicable for counties with a population greater than 8,000. There is a new [testing strategy to address this risk associated with road levy diversion and allowable uses located in TeamMate at Accountability | Entity-Specific Areas | City/County | County.](#)

County Administered External Investment Pools

County governments that sponsor external investment pools report them in their annual financial statements (may include separate set of financials statements specific to the pool). We have found some of the [sponsors still improperly classify those pools as agency funds](#). As the county governments have fiduciary responsibilities for the pool, the county should report external investment pools as separate funds in their financial statements ("investment trust fund"). This investment trust fund would include only the external portion of an investment pool, while the internal portion (that belonging to the primary government and its component units), generally is allocated as assets to those funds and component units.

During FY16 CAFR and financial statement audits, deficiencies were identified related to the proper reporting of county administered external investment pools. The primary issues identified were, a) investment pools were

improperly reported within the fiduciary funds as an agency fund, thus not reported in accordance with GAAP in an "investment trust fund" with the required notes and disclosures, b) reported as an "investment trust fund," but missing the required disclosures, and c) not properly reported at fair value in cases where the pool did not meet the criteria of GASB 79 par. 4 to report at amortized cost.

Assessment of required risk includes the following procedures for all financial statement audits of counties (cash and GAAP):

Step 1

- Review financial statements and notes to gain understanding of how the county currently reports its Fiduciary Funds.
- Bring to the brainstorm "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."
- Update perm file "Entity Operations" with initial understanding of County's fiduciary responsibilities (investment trust fund, agency fund, etc.).

Step 2

- Complete TeamMate testing strategy noted below ("External Investment Pools") as part of Review Presentation and Disclosure to determine whether the County is properly reporting their fiduciary responsibilities (investment trust fund, agency fund, etc.), and specifically, when an external investment pool should apply, whether the entity has properly reported an investment trust fund with the required notes and disclosures.
- After performing TeamMate step, document any new information or changes in the perm file.

[TeamMate testing strategies are available for this area in the Financial Statements | Workpapers | County Required Risk – Fiduciary Funds - External Investment Pools.](#)

Awarding Bids through Purchase Cooperatives

"Piggybacking" refers to one entity making purchases from contracts awarded by another entity via an interlocal agreement or contract. Piggybacking is a convenient way to procure goods or services; however, our Office has seen an increasing number of entities using this alternative method without following legal requirements. National purchasing cooperatives are becoming more widely used, but many of these are based in other states where the laws do not align with Washington State law.

To demonstrate that purchase requirements are met with piggybacking, entities must first have a contract in place with the cooperative or other government. Then, the entity would need to ensure that bid by other governments met the entity's own bidding requirements prior to purchase. For more information on piggybacking requirements, auditors should consult the [Bidding and Procurement](#) planning guide (*see Appendix 4 in the guide for help analyzing control deficiencies and evaluating noncompliance related to piggybacking, as well as the Level of Reporting (LOR) workpaper tab with the flowchart*).

In addition, we are recommending governments exercise due care when procuring *public works projects* via the piggybacking method. In order to piggyback on a public works project bid, the project of the lead agency and the project of the piggybacking entity must be essentially the same. That is, bid specifications of both entities should be very specific and include the same type of labor and materials. We would expect the only differences to be quantities purchased.

As always, our audits will focus on the controls of the piggybacking entity to ensure their own bidding requirements were met. The piggybacking entity must be able to demonstrate its own bid laws were satisfied by the lead entity. Auditors should inquire about whether any purchases were made through a purchasing cooperative and determine:

- Whether the cooperative competitively procured the purchase in accordance RCW 36.32.235, 36.32.250 or 36.32.240, and RCW 39.04.010 requiring formal sealed bidding and the selection of the lowest responsible bidder.

- Whether the entity obtained assurance that this occurred and maintained documentation of their verification before executing the purchase. Auditors should focus on the controls of the piggybacking government to ensure their own bidding requirements were met and the ability to demonstrate its own bid laws were satisfied by the lead agency.

BACKGROUND

Title 36 RCW describes county laws and authority and applies to all counties, with a few exceptions. Some provisions are applied based on the size of the county's population. Also, Article XI, Section 4 of the State Constitution provide for adoption of a "home rule" charter, which allows a county to choose a different form of government from the commission form specified by statute. Seven of the 39 counties have elected to adopt charters - Clallam, King, Pierce, Snohomish, Whatcom, San Juan and Clark counties.

The board of county commissioners (or county council, in council-executive charter counties) is the legislative authority for the county, adopting resolutions, levying taxes, and adopting the budget for the county. Many of the activities within a county that follows the commission form of government are assigned by statute to separate elected officials, as detailed in Appendix 1. To determine the particular organization structure of a home rule county government, refer to the county's charter.

Typical county services include public safety (sheriff, corrections, emergency management, medical examiner/coroner), public works/roads, legal and judicial (superior and district courts, prosecuting attorney, public defender) public utilities, comprehensive planning, building permits and land use regulation, parks and recreation, community development public health, human services (mental health, aging care, substance abuse) operations. Counties are also authorized to provide public transit services within unincorporated areas (RCW 36.57.100), and water or sewer utilities within unincorporated areas (Chapter 36.94 RCW). Some of these services may be contracted out with private and/or other municipal organizations.

Counties are authorized to create or have a role in the creation of many types of special purpose districts (see the [Local Government Basic Information](#) spreadsheet under the Auditor Reference Guide on the SAO Hub for details). Counties also perform elections, property tax assessment and collection, and treasurer functions for most local governments.

Industry, Regulatory and Other External Factors

Most county activities are mandatory and established by state law. Counties do not generally face market competition in the services they provide, with the possible exception of certain parks and recreation facilities or programs (for example: golf courses or sports facilities and programs) and event centers.

Counties are affected by significant changes in the local population or economy. For example, a county may see substantial decreases in sales tax, property tax or excise tax revenues if economic conditions or population within a county decline. In Addition, counties can experience legal exposures or financial pressures if demand for basic public services escalates or if system-wide improvements are needed to infrastructure such as roads or water systems without corresponding increases in tax revenues.

Since counties are responsible for very large amounts of expensive public infrastructure (such as roads and bridges), natural disasters may have a major financial effect. Counties may have limited insurance available, be covered partially by a local government risk pool, or may be self-insured for such losses.

Potential oversight agencies include the following:

- The Department of Health (DOH) and the Department of Ecology (DoE) may provide federal and/or state funding and Counties may be required to provide additional reports to the funding oversight agencies. Auditors should inquire about any recent audits or reports obtained by the grantor, and review the communications to determine if there are any potential risks relevant to their audit.

- The Washington State County Road Administration Board (CRAB) provides accountability through [standards of good practice](#), fair administration of funding programs, and technical and professional assistance to the 39 Washington State County Road Departments in accordance with [RCW 36.78.070](#).
- The Department of Revenue (DOR) has broad oversight authority over the property tax assessment process carried out by counties and has a number of programs and monitoring activities that provide oversight over counties. The DOR issues guidance to county assessors, annually checks levy calculations and limits, and periodically audits each county. A link to the most recent DOR property tax audit report is available on the [County Resources](#) page. The DOR property tax audit report and the [County Assessor and Property Tax planning guide](#) should be reviewed prior to performing accountability work at an assessor's office.

Measurement of Financial Health

Almost all of the counties' activities are supported by property taxes, relatively stable pass-through or grant funding, mandatory fees, or monopoly charges for services (ex: water/sewer). However, many of these sources are subject to restrictions on increases. Financial distress may occur when increases in expenditures for mandated public services outpace increases in funding, either for the county as a whole or for general services supported only by taxes or grants, rather than fees or charges. For this reason, the amount and trend of unrestricted general fund cash is a primary measurement of the financial health of a county. The same measure for other funds, especially internal service funds, should also be taken into account.

Financial distress is most likely to occur in situations where economic activity or population has been stagnant or in decline for several years. In such cases, salary and benefit increases may eventually cause the county to become distressed.

PLANNING & ADMINISTRATION

Guidance for the following certain county functions are contained in other [planning guides](#):

- law enforcement (Police and Sheriff Guide)
- jail (Jail Guide)
- district and superior courts (Courts Guide)
- self-insurance or risk management fund (Self-Insurance / Risk Pool Guide)
- industrial development corporations (IDC Guide)
- fire protection and EMS (Fire District Guide)
- water, sewer and storm water utilities (Water-Sewer District Guide)
- county assessor and property tax (County Assessor and Property Tax Guide)
- health departments (Health District & Health Department Guide)
- transportation benefit districts (Transportation Benefit District Guide)
- transportation authorities (Transportation Authority Guide)
- interlocal agreement entities (Interlocal Agreement Entities Guide)
- mental health services provided through a regional support network/behavioral health organization administered by county health or human services department (Behavioral Health Organization Guide)
- see also area guidance covering bidding and procurement, financial statement audits, investments, pension and OPEB, and Single Audit

Training and Additional Resources

The following recorded webinars are available in the [training system](#) and may be helpful when auditing counties including:

- [Know Before You Go: Counties](#)
- 2017 Accounting and Auditing Year in Review
- 2017 Introduction to the BARS Manuals
- 2016 BARS Cash Basis Update
- GASB 72 Implementation
- GASB 68 Pensions – Year 2
- GASB 68 – Implementation and Auditing
- Receipting Through Third Party Vendors

- 2012 Auditing Courts - Overview, Risks and the Judicial Information System
- Auditing Self-Insurance Programs
- Public Works Contracting
- IT Audit Basics
- Internal Control Basics
- Financial Statement Testing
- Introduction to Governmental Accounting
- Sampling Basics

Additional resources related to counties can be found on the SAO HUB under Audit | Reference Guide | [County Resources](#) and the [Local Government Performance Center under Center Resources](#).

Results of other Audits

Planning procedures should include consideration of the results of any audits done by state or federal agencies, as required in the **Other Engagements and FAWF** step. For example, in addition to oversight agencies noted above, the state Department of Licensing (DOL) also performs periodic audits of vehicle licensing agents and sub-agents; a county auditor's office should have copies of recent DOL audits for our review.

Information Systems Considerations

Team LISA is responsible for electronic data, common system review and IT related testing strategies. Assistance related to brainstorm, CAATS or testing strategies may be submitted through the [IT HelpDesk](#).

Electronic data may already be available under the Data tab in the Entity Information Suite ([EIS](#)) including Local Government Comparative Statistics (LGCS), submitted annual report information, and links to State Treasurer distributions (Report 740). Transactional level CAATS can be requested through the [IT HelpDesk](#). Please allow four-to-six weeks for completely new data development requests and one-to-three weeks for data sets that have been requested in the past. BIAS, Eden Gold, SpringBrook and Vision's data requests typically go out at the end of May. Please provide a two-week notice for early/priority processing status for audits starting prior to the filing deadline. Contact Team LISA at FAPAlert@sao.wa.gov if you have additional questions or need passwords for data sets.

Transaction data from Purchase Cards, Credit Cards, Fuel Pump Cards, and other Store Account Cards is requested on an annual basis from all entities with available CAATS data. Procurement Card transactions for entities who do not have available CAATS data can be requested by contacting Team Local ISA at FAPAlert@sao.wa.gov. Common System Reviews (CSR) are maintained on the [Team Local IS Audit SharePoint page](#) and also accessible through EIS - IT Systems tab using the 'CSR' icon. Updated reviews include brainstorm excerpts of common risks and a list of common reports available. Many systems used by cities are available. **How you can help** – Notify Team LISA's IS Auditors at FAPAlert@sao.wa.gov of questions or beneficial information obtained during audits. IS Auditors have resources and vendor connections that may assist in resolving questions and misunderstandings.

For a list of systems of existing CAATS data sets, data validation steps and common systems reviews available, see [Appendix 3](#).

IT related testing strategies found in the Accountability and Perm File folders, or other testing strategies modified towards an IT focus, can be used in any Accountability, Financial or Single Audit scope. Please annotate IT exceptions and workpapers in Teammate with: **Limited Distribution – May contain Confidential SAO Information Protected under RCW 42.56.420. IT related details should never be sent via Email.**

Auditors should brainstorm with Team Local ISA as part of the audit planning process by emailing fapalert@sao.wa.gov. Brainstorms can be just with the AIC or as part of the team's official brainstorm for the audit. The Key Software Application spreadsheet should be completed and uploaded to Team LISA's [ShareFolder](#) prior to the brainstorm. For additional information on the spreadsheet, see Individuals with Significant Security and Oversight Capabilities for Key Software Applications [below](#).

Key Operational Information

Key information about county operations the auditor should document in permanent file includes:

- Scope of services provided by the county. Examples of activities that counties may or may not be involved in include fire protection, EMS services, water, sewer and/or storm water utilities, public transit services, public health services (instead of a separate health district), jail and juvenile detention facilities, tourism promotion and provision of a landfill or garbage facilities.
- Any departments that perform their own accounting or disbursements.
- Any component units or related parties, such as governments where one or more board members are appointed by the County or the County participates in governance. *For example, we would normally expect the following types of governments – as applicable – to be at least a related party to the County: air pollution control authorities, housing authorities, most libraries, most weed and pest control districts, PDAs, PFDs, most transit authorities, transit investment districts, transportation benefit districts, TV reception districts, water conservancy boards, many diking or drainage districts, flood control zone districts, and entities created by interlocal agreement. See the [Local Government Basic Information spreadsheet](#) for details.*

ACCOUNTABILITY

By statute, the office of county treasurer performs all treasury functions for both the county and for many of the special purpose districts within the county.

Revenues

- **Taxes** – The biggest source of county revenues are taxes, including property tax (collected by the county), sales tax (collected by the state and remitted to counties), and other excise taxes. For details on potential tax revenues, see the BARS manual descriptions of 310 revenue codes.
- **Federal and State Grants and Entitlements** – Counties typically receive sizable amounts of federal and state grants and entitlements. Most of these revenues are restricted for certain purposes.

Counties also have a large number of potential locally-receipted revenues. See BARS manual descriptions of 340 and 350 revenue codes for a more complete list. Such revenues may include the following:

- **Wastewater Utilities**—Counties often provide water, drainage and wastewater, and solid waste services. These utilities are considered high-risk for inappropriate use of restricted funds. See the [Water/Sewer Planning Guide](#) for additional guidance.
- **Landfill** – If the county operates a landfill or transfer station, dumping fees will be receipted. Legal analysis of the county’s flow control ordinance (to determine if the county requires use of the landfill) and any relevant bond covenants is necessary in order to determine whether landfill revenues are restricted or not.
- **Courts** — Court operations include billing, adjustments, collections, receipting, disbursements and trust account management. Due to the nature of court transactions, court revenues are at high risk for misappropriation, especially via adjusting / deleting cases or substitution schemes. Refer to the [Courts Guide](#) for details.
- **County Fair** — County fairs receipt admission revenue, vendor rental revenue, and carnival revenue, all of which may be subject to different controls. Vendor rental revenue may be based on volume of vendor sales, which requires special monitoring. Carnival sales may be collected by contractors and reconciliations to tickets issued would be important. Counties may also provide imprest or startup funds for the fair, which should be monitored and returned timely after the fair is over. See also [Required Risks to Assess](#).
- **Parks Department** — Parks departments generally have numerous locally receipted revenues that are considered high risk for misappropriation, such as recreational program fees, entry fees, boat launch, and camping facilities. In addition, counties may have special recreational facilities such as pools, gun ranges, and golf courses, which may be subject to different controls and oversight due to involvement of third party

contractors that manage operations. The county should have sufficient monitoring of third party contracts that collect revenues on the county's behalf.

- **Building & Planning** – The county collects fees related to permit issuance and fines for building code enforcement. See also [Required Risks to Assess](#).
- **Sheriff's department** – Revenue sources include receipts for civil service actions, gun permits and alarm permits and fines. They may also seize property that, due to criminal activity, is forfeited in accordance with state law. A particular area of emphasis should be small and attractive assets. This can include weapons, safety equipment, cameras, radios, laptops, and other equipment that should be tracked and monitored. See the [Police / Sheriff Guide](#) for details on small and attractive assets, revenue sources, and forfeiture reporting requirements.
- **Jail and Detention** – Revenue sources include receipts for commissary sales, billings to other jurisdictions and work-release programs. See the [Jail Guide](#) for details.
- **Recording Fees** – The county auditor collects recording fees for filing of documents (ex: deeds, mortgages, judgements, liens, etc.) and copy fees from people who request documents. Often, part of the recording fee must be remitted to the State.
- **Licensing Fees** – The county auditor collects licensing fees on behalf of the State DOL for renewal of vehicle and vessel license tabs and the sale of vehicles and vessels.
- **Election Filing Fees** – The county auditor collects candidate filing fees and reimbursement of elections costs from governments with items on the ballot. The BARS Manual (under Accounting > Expenditures > Voter Registration and Election Cost Allocation) provides detailed instructions on how election expenses should be allocated and billed.

Expenditures

Counties often have separate systems or controls over the following types of expenditures:

- ACH or electronic payments
- Credit card payments
- Imprest and petty cash funds, including sheriff's department confidential funds
- Jury and witness payments paid by the court
- Developer credits, which are non-cash credits assigned to developers in exchange for construction of necessary infrastructure. See discussion in the financial section below.

Assets

In addition to normal office equipment, small and attractive assets may include the following, depending on county operations:

- Maintenance equipment and supplies used by the parks department or county fair
- Equipment, weapons and supplies used by the sheriff's department
- Evidence and seized property held by the sheriff's department or court.
- Maintenance equipment, supplies and parts inventories used by utility departments
- Vehicles, equipment and maintenance equipment, supplies and vehicle and equipment parts inventories used by the public works department, ER&R fund or motor pool. Note that vehicles should be clearly marked as belonging to the county (RCW 46.08.065) and be used only for business purposes.
- Fuel pump or fuel cards used by public works department
- Technology equipment, such as laptops, digital, media storage devices
- Lumber and building supplies and parts used by public works department or equipment services.
- Inventories of metal parts or products, such as copper wire and piping from utility or public works departments. Both the inventories and any scrap or wastage from projects can be readily converted to cash at metal-recycling businesses and are at high risk for theft.

RCW 36.32.210 requires the county commissioners to compile a certified inventory of all capitalized assets annually. However, this inventory will not include much of the small and attractive assets, which are below the capitalization threshold.

Compliance Requirements

General compliance requirements apply to counties, including Open Public Meetings Act, expenditure audit and certification, conflict of interest, limitation on compensation of public officials, insurance / bonding requirements, limitation of indebtedness, authorized investments and budgeting.

Other compliance requirements and risks to be aware of are as follows:

- **Timely filing of financial reports** – Counties are required to file their financial reports with SAO within 150 days after the close of each fiscal year (RCW 43.09.230). Auditors should check EIS to determine whether the county filed their financial reports timely. If the county did not file its reports on time, contact the Program Manager regarding level of reporting.
- **Bid Law** – Counties are required to competitively bid public works (RCW 36.32.250) and purchases (RCW 36.32.245) - see the [Bidding and Procurement Guide](#) details. Due to the nature of county activities, we would expect purchases requiring bidding every year and major public works projects to be occurring every year in larger counties or at least every couple of years in small counties. Due to the nature of county public works activity, there will be a number of public works projects accomplished by county employees (referred to as “day labor”) as opposed to having the activity contracted out. Under RCW 36.77.065, counties are limited in the amount of day labor they are allowed to perform annually, based on the annual road construction budget.
- **Purchasing and expenditure approval** – Counties may have more decentralized purchasing and expenditure approval processes than other local governments. Counties may establish a purchasing department in accordance with RCW 36.32.240 to provide a more centralized purchasing process for equipment, supplies, and materials for county departments. However, this RCW provides for an exception for purchases made from the county road fund or the equipment rental and revolving fund. (RCW 36.32.235 applies to establishment of purchasing departments at counties with populations of more than 400,000. It also provides for an exception for purchases from the road or equipment rental and revolving funds.)
- **Prevailing wages** – Prevailing wage requirements apply to all county public works projects, except for those accomplished with day labor. NOTE: Counties have interpreted prevailing wage laws as not applying to infrastructure built by developers. Since Labor and Industries, as the regulatory agency has not taken issue with this interpretation, we do not consider this an audit issue at this time.
- **Disposition of Surplus Property** – Unless the county has established comprehensive procedures of its own under RCW 36.34.005, dispositions of county property is subject to the provisions of Chapter 36.34 RCW. Unless the property is exempt under RCW 36.34.020, disposals are subject to public hearing, published notice, and either auction or sealed bid requirements.
- **Restricted Funds** – See [Appendix 2](#) for a list of sources of restricted funds. Potential risk areas include:
 - **Impact fees** - Impact fees may be collected by cities and counties that have a comprehensive growth management plan. "Impact fees" are a payment of money imposed upon development as a condition of approval, to pay for public facilities needed to serve new growth and development, and reasonably related to the development that creates additional demand and need for public facilities. A TeamMate step is available (under [Accountability | Compliance Requirements | Restricted Funds | City/County Restricted Funds](#)) with procedures to consider for testing impact fees.

Waiver of traffic impact fees is allowable under RCW 82.02.060(2). Waiving these fees means that there is not funding available to finance infrastructure for a specific development. Should that infrastructure be needed, the County must use other funds (not TIF funds) to finance it.

- **Building and land use permits** — Counties collect fees for building permits and land development. RCW 82.02.020 prohibits these fees except to cover the cost of “processing applications, inspecting and reviewing plans, or preparing detailed [environmental] statements.” See [Required Risk to Assess](#) and [Appendix 2](#) for further details. Counties should have some support that indicates the revenue from building and land use permits is only used for allowable activities. Building and land use permit revenue should **not** be used to fund:
 - Planning (county planning for zoning, etc.)
 - Nuisance abatement
 - Fire marshal services
 - Code enforcement activities unrelated to or prior to filing permit applications
 - Fire inspections
 - Environmental health activities
 - Public works activities
 - Cost allocations from the legislative body or chief executive

At least one county currently waives building permit fees to encourage development. At a minimum, the general fund should be compensating the building permit fee fund (if accounted for in a separate fund) for the lost revenue needed to support the program so that other permits are not covering the cost. If this is being done, please contact the County Program Manager.

- **Self-Insurance programs** - If the county has any individual property/liability self-insurance programs, review the Risk Pool Planning Guide for guidance on financial reporting and potential risks. If a county has these programs, we are required to audit them every two years. (*Note: Self-Insurance will need to be included in every audit for those on a 3-year cycle.*) Self-insurance is a complicated topic and it can be challenging to complete an accurate Schedule 21. The auditor should consider the risk that self-insurance programs are not identified. [The auditor can use the “Self-Insurance Assessment” step in TeamMate in the Accountability | Compliance Requirements | Insurance and Bonding folder to help further assess the risk.](#)
- **Time and Materials Contracts (On-call Contracts) Used For Public Works**

State law requires Counties to have defined plans, specifications, and related cost estimates of public works prior to competitive bidding (RCW 39.04.020). In order to prepare a cost estimate and receive bids based on defined specifications, there needs to be specific details about the type and quantity of work to be performed. Counties may not be defining the scope of work up-front but instead are asking prospective bidders to provide quotes for hourly rates for certain types of work. State bid law does not allow for this practice.

Examples of work where hourly rate contracts may be in place include:

- Paint striping
- Overlay or road sealing
- Utility related contracts such as installing infrastructure (water or sewer lines)

Auditors should be confirming whether counties have these types of contracts by reviewing actual contracts. If these contracts are found, a second concern is whether the county submitted timely updates to Labor and Industries (L&I). There is an issue when L&I receives an intent to pay prevailing wages at the beginning of the contract but does not receive an affidavit until several years later. Counties should be defining projects in a manner that allows for timely reporting to L&I on a per project basis.

[Auditors should use the “On-Call Contracts” step available in TeamMate in the Compliance Requirements | Procurement | Public Works folder to evaluate this risk.](#) If contracts for time and materials are identified, please call the Program Manager for further assistance.

- **Third Party Receipting (includes payments made online, in person, by mail or phone using E-check/ACH or credit card)**

Third party receipting may occur in counties at various locations including the treasurer's office (property tax payments received via mail, in person or paid online could use three separate payment processes), district court, superior court, sheriff's office (inmate accounts, commissary, telephone services), parks and recreation (facility rentals, classes, events, camping) or other departments. It is also possible that different departments within a county may use different vendors to process their payments. To determine if a particular county uses third parties for receipting, check their website for payment options and inquire with county personnel (typically IT staff need to be involved with the interface so the IT department is a good place to start).

Auditors can use the "Third Party Cash Receipting" step available in TeamMate in the Accountability | Revenues folder to evaluate this risk.

Military Surplus

The Department of Defense (DOD) sends excess military assets through the 1033 program to allow law enforcement agencies (LEA) to acquire military assets for current law enforcement purposes at no cost, except transportation costs to acquire the assets. The Department of Enterprise Services (DES) has been appointed as the State Coordinator to oversee LEA program participation. Many county sheriff offices have received assets under this program. Controls should be in place to ensure assets are used in compliance with program requirements and that there is proper segregation of duties over asset management.

In addition, a majority of these assets are considered "closed" and removed from the active inventory that is monitored by DES. This increases risk of misuse of assets if entities are not adequately tracking and monitoring assets.

Often the assets are small and attractive, below the capitalization threshold of the County. Auditors should inquire about assets obtained through the 1033 program and controls over asset management to safeguard against misuse or loss.

***Auditors should request a list of "closed" assets, since these are no longer actively monitored through the program and will not show up on the listing link below. If the entity's controls over tracking and monitoring assets are weak, then there is an increased risk of inadequate tracking of these assets.**

Auditors can find a listing of the 1033 program assets each entity has received at www.dla.mil/DispositionServices/Offers/Reutilization/LawEnforcement.aspx. Once the page opens up, select "LESO Public Information" on the left hand menu. In the section for property transferred to states and agencies, click on "Alaska-Wyoming and US Territories". When the spreadsheet opens, choose the Washington tab at the bottom and auditors can sort by entity.

Individuals with Significant Security and Oversight Capabilities for Key Software Applications

There is an increased risk of undetected error or fraud when individuals responsible for maintaining system security are also involved in transaction processing as well as monitoring and oversight of software applications. Individuals responsible for maintaining security are those that have the ability to add new users, adjust security levels of users, or have system administrator level access to applications.

Auditors should identify the people responsible for administering security of the systems identified on the Key Software Application spreadsheet that are used for receipting, payroll and payment processes and determine those people's involvement in processing transactions as well as their oversight and monitoring responsibilities. Notify Team Local IS Audit by emailing fapalert@sao.wa.gov when you identify any instance where individuals responsible for administering system security are also involved in processing transactions and have monitoring responsibilities in a system.

IT Risks

- **User Access** - Counties are responsible for a significant amount of sensitive and private information on staff and citizens. Small to medium sized counties have historically faced challenges with maintaining adequate controls over User Access and Authentication. Particularly common issues are around segregation of duties, weak password controls, lack of temporary access processes, and removal of former employee accounts. Auditors should refer to the [TeamMate steps in Accountability | IT Controls | User Access](#).
- **Data Backup and Recovery** - With ransomware and other attacks focused on denial of access to confidential and critical data becoming increasingly common in addition to the regular risks to data such as equipment failure, it is vital that counties have backups of all critical data. Since ransomware attacks propagate through networks, it is also vital that at least some of the backups are "offline" so the backups do not fall victim to the attack at the same time as the systems they are backing up. Additionally, it is not uncommon for offline backups to fail due to a configuration or storage issue. As such, it is important that backups be tested on a regular basis to ensure the process is working correctly and that the data can be recovered as expected in case of loss of data from cyber-attack or other disaster. Auditors should refer to the [TeamMate steps in Accountability | IT Controls | Data Backup and Recovery](#). For assistance with data backup and recovery or IT security, contact FAPAlert@sao.wa.gov.

Odyssey Fraud Risks

The current Superior Court Management Information System (SCOMIS) used by Superior Courts and County Clerks is being replaced by the Odyssey system. An [implementation map](#) is available to identify each county's conversion schedule. Eight counties implemented the system by October 2016 and two have opted to not implement the system. The remaining 26 counties show implementation between May 2017 and November 2018.

The vendor continues to work on developing useful monitoring reports, including system adjustments, for entities to incorporate into their procedures. Two recent fraud investigations, in counties that implemented early, have identified the following weaknesses in the Odyssey system:

- **Bank reconciliation** – The individual reconciling the bank deposits to the system must select pending deposits for posting in the system. Entities are unable to generate a report from the system to show pending deposits not posted and instead have to provide screenshots of the system. Auditors will need to observe this screen within the system to identify risks in this area. During the investigations, we identified some misappropriation in the pending deposits. We have also learned that items already posted in the system can be checked and unchecked.
- **Adjustments** - Auditors may want to obtain a "transaction listing" report, since the vendor is still working to develop this area. The report shows voids, reversals and credits by username. During the investigations, we identified some misappropriation in the adjustments.
- **Separate till** – Counties may have a separate cash register till, referred to as an "adjustment till". This is used to make cash receipting adjustments. A separate process is required to export and post this till's adjustments to the system. Adjustments that are not exported and posted remain pending in this till for posting. There is no system report that can be generated to see pending adjustments processed in the adjustment till. Auditors will need to review the "adjustment till" in the system to identify risks in this area.
- **Deposits** - Counties may use the deposit analysis report to reconcile the tills. This report will show the assigned deposit date, not the cash receipting date. In addition, individuals can select certain tills to include in the deposit. Auditors should review the system for the cash receipting date of each till included on the deposit analysis report. Auditors also should check for any outstanding tills.

For those counties that have implemented and used the Odyssey system for a full year or more, auditors are strongly encouraged to consider this area for audit. Auditors should contact Stephanie Sullivan, Team Fraud, for questions or assistance.

Financial management policies and resources

Governments and their policy needs vary considerably due to differences in size, scope of activities, organizational and staffing structures, contractual and program structures, technology, and the governing body's values and priorities. Financial policies should be designed by each government according to its needs. MRSC, in partnership with SAO, has developed a series of [online resources](#) to help local governments develop and adopt effective financial policies and procedures.

FINANCIAL STATEMENTS

Counties are general purpose governments that will include governmental, business-type and fiduciary funds. Counties have the option to report on either a cash or GAAP basis.

BARS reporting changes

Changes applicable to reporting year 2017: Updates were made to county road levy diversion guidance (3.6.5.20), which now allows counties to divert funds either as part of the levy process with a reconciling transfer at year-end, or in lump sum transfers. In either scenario, counties are expected to divert a fixed amount that ties to the county's resolution.

The 2017 BARS manual revisions also include additional chart of account changes and updated note disclosures for GASBs 83 & 86. In addition, the reporting matrix was updated to eliminate Schedules 07 & 11 for GAAP basis and to add an optional Schedule 06 for cash basis. *Note: for 2018, Schedules 07 & 11 will no longer be part of the reporting package for GAAP counties to make way for Schedule 06. Cash basis governments will have the option to prepare either Schedules 07 & 11 or Schedule 06 starting with 2017 annual reports.*

BARS Cash Basis financial statements will see a change in the presentation of fiduciary funds in 2017. This change is expected to materially affect the comparability of financial statements for cash basis counties because of the prior exclusion of special purpose district agency funds. We would expect a [note disclosure and emphasis of matter paragraph for cash basis counties only](#).

Changes applicable to reporting year 2016: The 2016 BARS manual revisions are primarily due to BARS chart of account changes. It also includes changes to the Tax Abatement note disclosure to meet requirements of GASB 77. This change in note disclosure is required for fiscal years starting after December 15, 2015. See GASB 77 below.

GAAP reporting changes

All new GASBs are identified and evaluated by the Financial Audit Committee (FAC), as summarized on the [GASB Tracker](#) available on the FAC Sharepoint page. When evaluating implementation of new GASBs for Counties, auditors should specifically consider:

- GASB 83 (Asset Retirement Obligations, effective for FYE 2019) is expected to impact most Counties. For example, we expect that it would apply to fuel tanks.
- GASB 84 (Fiduciary Activities, effective for FYE 2019) is expected to have a major impact on Counties and require re-evaluation and changes to reporting for fiduciary activities. We would not expect any early adoption of this GASB.
- GASB 87 (Leases, effective FYE 2020) is also expected to have a major impact on Counties and require re-evaluating and changes to reporting for leases. Due to a County's naturally decentralized operations and extent of activities, we would expect this to require significant effort and analysis. We would not expect any early adoption of this GASB.

GAAP Reporting – Capital Contributions of infrastructure built by private developers

Counties require (as part of policy or code) that private developments construct various infrastructure, such as roads, water, sewer, lights, etc. as part of the building and permitting process. The infrastructure required to be built by the developer (to county specifications) is subsequently turned over to the county for upkeep and operation at the conclusion of the development. This infrastructure is considered a capital contribution (donated infrastructure). The county may offer developers the option of paying a system development fee in lieu of actually

constructing the infrastructure themselves. In this case, the county would construct the necessary infrastructure paid for by the fees.

Often, the county will request that the developer build additional infrastructure that – while not required under conditions of the permit – is part of the county’s long term infrastructure plan (for example: a connecting road, an over-sized sewer line or a signal light). In order to compensate for this additional work, the county grants a “developer credit” which can be used to offset future permitting fees with the county. The credit is at a negotiated amount in accordance with county policy or code.

These transactions should be reported as follows:

- *Capital Contributions (Donated Infrastructure)* - This amount would be reported in the Capital Grants and Contributions column of the Government-wide Statement of Activities. It would not be reported on Governmental fund operating statements, but would be reported on the Proprietary Fund operating statements as a line item (“Capital Contributions”) underneath Non-Operating Income (Loss). See the BARS manual for reporting examples.
- *System Development Charges* – This amount should be reported as revenue to the county similar to any other plan or permit fees. For GAAP entities, this would be capital contributions, if the fees are for capital purposes.
- *Developer Credits (issued under RCW 82.02.060)* – This amount should be reported as capital assets and a developer credit liability when the credit is issued. When the credit is redeemed, the liability is reduced and contributed capital revenue (or impact fee revenue) is recorded.

Potentially higher risk areas based on other SAO audits

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. See Appendix 2 of [Financial Statement Planning Guide](#) for expected controls over financial reporting for BARS Cash Basis governments. If any of these expected controls are not in place or not operating effectively without adequate compensating controls, auditors should consider whether a significant deficiency or material weakness in controls over financial reporting exists.

A [Checklist for Preparing Cash Basis Financial Statements](#) is available from the Performance Center. Local governments can use this internal control checklist as a baseline to develop policies and procedures that address areas of deficiencies most often found in financial statements prepared under the BARS Cash Basis method.

The Performance Center also provides a [Checklist for Accounting Standards Changes](#). Local governments can use this tool to ensure their financial statement preparation team performs sufficient research to correctly and timely implement changes in GASB standards.

SINGLE AUDIT

Most counties expend \$750,000 or more in federal financial assistance and require a single audit. Refer to the [Single Audit Planning Guide](#) for details on the single audit.

PERFORMANCE AUDIT

There are currently no planned or in-progress performance audits related to counties.

APPENDIX 1: Statutory Duties of Elected County Officials

County Treasurer (Chapter 36.29 RCW):

The county treasurer is the custodian of the county's funds and the administrator of financial transactions. In addition to services for the county, the treasurer also provides financial services to most special purpose districts, including the responsibility to receipt, disburse, invest and account for the funds of each of these entities. Specific duties are as follows:

- Custodian of investments for county and all outside taxing districts, unless the taxing district by law performs as their own treasurer.
- Responsible for all the purchase and sale of investments for the county and all outside taxing districts.
- Responsible for making payments on long-term debt for the county and outside taxing districts.
- Responsible for redeeming warrants for the county and all outside taxing districts.
- Controlling the checking accounting. Disbursements from this account should be limited to the distribution of property taxes to outside taxing districts to cover warrants redeemed by the bank and for the purchase of investments.
- Controlling refund accounts. Accounts are used to refund property holders for retroactive senior and handicap exemptions. Accounts are also used to refund overpayments for property taxes and LID/CRIDS (Local Improvement District/County Road Improvement Districts).
- Responsible for the collection of real and personal property taxes and special assessments.
- Responsible for the collection of LID/CRID
- Collection of Taxes
- Disbursement of Funds
- Investment of Funds: refer to BARS Manual section 3.2.1 for an extensive list of authorized investments and/or refer to the investment planning guide.

County Auditor (Chapter 36.22 RCW):

The county auditor examines and audits county financial records, records documents and administers elections. Specific duties are as follows:

- Responsible for the copying, preserving and indexing legal instruments recorded in the county (i.e. property deeds, marriage licenses, etc.).
- Responsible for keeping a current accounting with the county treasurer. This includes detailing all money received and disbursed by the county.
- Responsible for auditing all claims against the county. These claims must then be presented to the legislative body for their examination and allowance.
- Responsible for registering all warrants legally authorized by the legislative body.
- Responsible for the issuance of warrants for claims allowed by the legislative body.
- Must retain all original claim documentation supporting warrants issued.
- Responsible for preparing and certifying a complete financial reporting, for the past fiscal year. This financial reporting must be made available to the public and transmitted to the State Auditor.
- Responsible for recording all of the proceedings of the legislative authority (i.e. designated Clerk of the Board) unless the board of commissioners designates one of its employees to serve as clerk.
- Responsible for supervising all primaries and elections, general or special, within the county under Title 29A RCW. This includes voter registration.
- Responsible for the issuance of warrants for the payment of claims against diking, ditch, drainage and irrigation districts and school districts of the second class, who do not issue their own warrants, as well as political subdivisions within the county for which no other provision is made by law per RCW 36.22.090.

Assessor (Chapter 36.21 RCW) - The primary responsibility of the county assessor is to determine the value of all taxable real and personal property in both the incorporated and unincorporated areas of the county for the purpose of determining the tax liabilities of the taxpayers in the various taxing districts in an equitable manner. The county assessor is responsible for the calculation of property tax levies necessary to raise revenues for government services.

Commissioners (Chapter 36.32 RCW) - Under the commission form, the county governing body consists of a three-member board of commissioners, elected on a partisan basis, who serve as the county's legislative body and also perform executive functions. While the county commissioners establish the budget and act as the county legislative body, they share administrative functions with several other independently-elected county officials. Although there is no constitutional or statutory requirement for county commissioners to delegate any of their executive authority to a separately-appointed administrator, many of them have, to a limited degree, chosen to do so.

Prosecuting Attorney (Chapter 36.27 RCW) - The county prosecuting attorney has major responsibilities as the legal representative of the state and counties in actions and proceedings before the courts and other judicial officers. The prosecuting attorney prosecutes violators of state law and county code in the county superior and district courts and appears for and represents the state and county in other types of criminal and civil actions.

Sheriff (Chapter 36.28 RCW) - The sheriff has a number of duties relating to: (1) law enforcement and public safety, (2) jails and confinement facilities, and (3) civil functions for the court system.

Clerk (Superior Court Clerk) (Chapter 36.23 RCW) - The county clerk is the administrative and financial officer for the state superior court of the county and is responsible for court records.

Coroner/Medical Examiner (Chapter 36.24 RCW) - The county coroner or medical examiner is responsible for conducting death investigations, including inquests. In counties over 250,000 in population, the county legislative authority may, upon confirmation by county voters, replace the elected office of coroner with an appointed medical examiner under the medical examiner system. In counties under 40,000 in population, the County Prosecuting Attorney serves as the coroner.

Superior Court Judges (Chapter 2.08 RCW)

District Court Judges (Chapter 3.34 RCW)

Note: these statutory duties may not apply to "home rule" charter counties. Article XI, section 4 of the state constitution, allows county voters to adopt a "home rule" charter to provide a form of government other than the commission form prescribed by state law. A "home rule" charter doesn't change the role and authority of the county. It does allow for appointed officials to perform county functions previously performed by elected officials and for changes in the names and duties of the county officers. In "home rule" charter counties, the county charter will state which offices have been replaced or modified. Four of the charter counties adopted the council-executive form of government while the other three charter counties chose another form without an elected executive:

- **Council-County Executive (King, Pierce, Snohomish, and Whatcom)** - The elected office of county executive exists in four of the seven charter counties (King, Pierce, Snohomish, and Whatcom). The authority and duties of the county executive can only be determined by a review of the individual county charters. In general, counties adopting the council-executive form of government have a county council which serves as a legislative body establishing policy and an elected executive responsible for the implementation of council policies and the day-to-day administration of county government functions and services.

The remaining three charter counties (San Juan, Clallam, and Clark) adopted forms of government where the elected commission or council delegates all or part of its administrative authority to an appointed administrator or manager. San Juan adopted a council-appointed administrator form, Clallam adopted a commission-appointed administrator form, and Clark adopted a council appointed manager form.

APPENDIX 2: List of Restricted Funds for Counties

The following table lists potential sources of restricted funds, along with details and citations. A quick way to check what restricted funds a county is reporting is by BARS coding. Applicable codes that denote a restricted revenue source are included in the table below.

Restrictions on the use of Resources	BARS Bassub
General Restrictions	
Special Revenue Funds (RCW 43.09.210) – These funds are used to account for revenues restricted to a certain purpose. If funds are not already restricted by statute or contract, we would expect the resolution authorizing a special revenue fund would specify a restriction.	Fund numbers 100 – 199
Internal Service Funds (RCW 43.09.210) – The function of an internal service fund is to accumulate and allocate joint or shared costs among funds. Internal Service Fund resources are considered restricted to their stated activity or function. In addition, excessive accumulation of undesignated reserves or improper cost allocation methods or structures may be considered improper use of restricted funds when such resources are being paid into the internal service fund.	Fund numbers 500-599
Proprietary Funds (RCW 43.09.210) – Proprietary funds are typically considered restricted as a separate undertaking of the county. Additional clarification of restrictions is often found in statute, contracts and resolutions authorizing the fund.	Fund numbers 400-499
Overhead costs consist of the costs of central services or support functions shared across departments. They may include accounting, human resources, payroll, information technology, janitorial services and others. Overhead costs may include not only the salaries, wages and benefits of the employees who work in these departments, but the utilities, supplies, information technology, building maintenance and other costs that support these employees. Typically, such services are initially paid through the general fund or an internal service fund and charged back to the departments and programs that directly benefited from them. The cost allocation process must be guided by an overhead cost allocation plan that describes how the organization will allocate costs reasonably and equitably across funds and departments and identifies the documentation required to support the charges.	See BARS part 3.9, Interfund Activities – Overhead Cost Allocation
Transfers of Investment Income to the General Fund (see FYI 2011-01) Based on the language of the statute, interest earnings from some restricted revenue sources are considered unrestricted and can be transferred to the general fund.	See BARS part 3.2, Assets – Sweeping Interest and Investment Returns into County General Fund
Specific Restrictions	
Marijuana Enforcement Chapter 4, Laws of 2015, 2nd special session, section 1603 (2E2SHB 2136). State distribution for marijuana enforcement. The bill does not define “marijuana enforcement” but county should be able to demonstrate how the expenditures tie to “marijuana enforcement.”	3360641 – Marijuana Enforcement
Earmarked Property Tax Levies (RCWs 84.52.069, 73.08.080, 71.20.110, 84.52.135, 84.34.210-230) - Could have additional earmarked levies. For example: EMS, Veterans, Conservation Futures, etc.	3111XXX – Property Tax
Diverted County Road Property Tax (RCWs 36.33.220, 36.82.040, BARS section 3.6.5) - to provide services in the unincorporated area of the county	3112XXX - Diverted county road property taxes

Restrictions on the use of Resources	BARS Bassub
Chemical Dependency / Mental Health Service Tax (RCW 82.14.460) - providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs	31314XX - Chemical Dependency/Mental Health Services Sales and Use Tax
Special Purpose Sales Tax (RCW 82.14.450) - sales and use tax imposed for a special purpose - ballot measure will indicate restrictions.	31315XX - Special Purpose Sales and Use Tax
Emergency Communication Tax (RCW 82.14.420) - financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of emergency communication systems and facilities	31316XX - Emergency Communication Sales and Use Tax
Zoo, Aquarium and Wildlife facilities Sales Tax (RCW 82.14.400) - financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of zoo, aquarium and wildlife preservation and a display facilities that are currently accredited by the American Zoo and Aquarium Association. Also can be used for parks as defined in RCW 82.14.400	31317XX - Zoo, Aquarium and wildlife facilities sales and use tax
Rural County Sales Tax (RCW 82.14.370(3) and (5)) - rural counties are authorized to impose an additional .08 percent sales tax to finance public facilities serving economic purposes. Each county collecting money under this section shall report to the office of the state auditor, no later than October 1st of each year, a list of new projects from the prior fiscal year, showing that the county has used the funds for these purposes. Determine if the county has imposed this additional sales tax and if so, whether they have submitted a report to our Office. County submit this information through the Schedule 20 as part of their annual report which is sent to Olympia.	31318XX - Rural county sales and use tax
Hotel-Motel Tax (Chapter 67.28 RCW and RCW 67.28.1815) - paying all or any part of the cost of tourism promotion and acquisition or operation of tourism-related facilities. See testing strategy available in TeamMate under Accountability Compliance Requirements Restricted Funds City/County Restricted Funds Hotel-Motel Tax Expenditures for details.	3133XXX - hotel/motel tax
Criminal Justice Sales Tax (RCW 82.14.340) - criminal justice purposes	31371XX - criminal justice
Juvenile Detention Facilities and Jails Sales and Use Tax (RCW 82.14.350) – financing, design, acquisition, construction, equipping, operating, maintaining, remodeling, repairing, reequipping, and improvement of juvenile detention facilities and jails	31372XX - juvenile correction facilities sales and use tax
High Capacity Transportation Employer Tax and Rental Car Sales Tax (RCWs 81.104.160(1) and 81.104.150) – to be used solely for providing high capacity transportation service.	31382XX - high capacity transportation (HCT)
Border Area Jurisdiction Sales and Use Tax (RCW 82.47.020, .030) – to be used for border area street maintenance and construction.	31384XX - Border area jurisdictions sales and use tax
REET 1 (RCW 82.46.010, 82.46.030(2) and 82.45.180(2)) – to be used solely for local capital projects identified in RCW 82.46.010(2)(6) which are identified in the capital facilities plan element of the County’s Growth Management Act Comprehensive Plan. Proceeds should be placed in the capital improvement fund.	31834XX - REET 1 - first quarter percent 31836XX - REET - one half percent
REET 2 (RCW 82.46.035) – to be used solely for local capital projects specified in the capital facilities plan.	31835XX - REET 2 - second quarter percent
Conservation Areas Tax (RCW 82.46.070) – to be used solely for acquisition and maintenance of conservation areas.	318X37XX - conservation areas tax

Restrictions on the use of Resources	BARS Bassub
<p>Gambling Excise Tax (RCW 9.46.110, .113) - Counties are authorized to collect taxes on gambling activities that occur in the unincorporated areas. Chapter 9.46 RCW sets tax rates and requires that revenue be used "primarily" for public safety. "Primarily" means that revenues must first be used for public safety purposes and any remaining funds are unrestricted.</p>	<p>31681XX - punch boards and pull tabs 31682XX - bingo and raffles 31683XX - amusement games 31684XX - card games</p>
<p>Tourism Promotion Charges (RCW 35.101.010-.130) – upon formation of a tourism promotion area, County may impose a lodging charge to be used solely for tourism promotion.</p>	<p>31331XX - tourism promotion charges</p>
<p>Grants – review the grant agreement for any restrictions related to federal, state and private grants.</p>	<p>331XXXX – direct federal grants 333XXXX – indirect federal grants 334XXXX – state grants</p>
<p>Federal entitlements, impact payments, and in-lieu taxes - see specific requirements in BARS or in authorizing legislation.</p>	<p>332XXXX - federal entitlements, impact payments, and in-lieu taxes</p>
<p>DNR Other Trust (RCW 79.64.110) - county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. In addition, counties with populations of less than 16,000 have additional restrictions</p>	<p>3350232 - DNR other trust 2</p>
<p>DNR Timber Trust (RCW 79.64.110) - county should prorate and distribute the money to other funds in the same manner as general taxes are paid and distributed that year. In addition, counties with populations of less than 16,000 have additional restrictions</p>	<p>3350233 - DNR timber trust 2</p>
<p>Vessel Registration Fees (RCW 88.02.650) – to be used for boating safety education/programs and law enforcement programs - counties can further allocate this money to other jurisdictions with approved boating safety programs, but these funds cannot supplant existing local funds used for boating safety.</p>	<p>3360084 - vessel registration fees</p>
<p>County Road Fund (Chapter 36.82 RCW, RCW 46.68.070-124) – To be used solely for construction and maintenance of county roads, bridges, or wharves necessary for vehicle ferriage. RCW 36.82.010 establishes a county road fund and directs that funds accruing to the county for county road use be credited to and deposited directly into that fund. These funds include, but are not limited to, the general tax levy for road fund (RCW 36.82.040), receipts from the motor vehicle fund (RCW 36.82.050), federal reimbursement (RCW 36.82.060), and a percentage of fines and forfeitures collected for certain statutory violations (RCW 36.82.210).</p> <p>Under RCW 36.33.220, counties are allowed to divert any portion of county road property tax revenues for "any service to be provided in the unincorporated area of the county not withstanding any other provision of law." Charges to the road fund should be supported with a reasonable basis and have support for the allocations</p> <p>County road funds may be used for the construction of sidewalks, bike paths, lanes, routes, roadways and pedestrian allocated paths only to the extent of any county or road district tax specifically levied for this purpose per RCW 36.75.240.</p>	<p>3360089 - MVFT - county road</p>
<p>Local Option MVFT (RCW 82.80.070) – for transportation purposes only, consistent with the adopted transportation plan.</p>	<p>3360090 - MVFT - highway</p>
<p>Ferry MVFT Distribution (RCW 47.56.725) - reimbursement of deficits incurred by Pierce, Skagit, and Whatcom counties in the operating and maintenance of ferry systems owned by the counties.</p>	<p>3360092 - MVFT - county ferries</p>

Restrictions on the use of Resources	BARS Bassub
Motor Vehicle Licensing (RCW 46.68.220) - for counties, to cover their costs of providing motor vehicle licensing services.	3360093 - MV license fees
Real Estate and Property Tax Administration (RCW 82.45.180(5)) State distribution from the special real estate and property tax administration assistance account.	3360097 - Real estate and property tax administration
State Assistance for New Programs (RCW 43.08.290) - purposes of state reimbursement for the cost of new programs and increases in service levels under RCW 43.135.060	3360098 - City-County Assistance
Judge's Salaries (43.08.250) – State contribution for district and municipal court judges' salaries.	3360129 - judicial salary contribution - state
Fair Fund Distribution (RCW 15.76.115 and 67.16.105) – to be used only as reimbursement for prizes awarded to participants in county fairs.	3360211 - fair fund
Document Preservation Recording Surcharge (RCW 36.22.170) - funds should be placed in Auditor O&M fund and used solely for ongoing preservation of historical documents of all county offices and departments.	3360411 - centennial document preservation
Criminal Justice Counties - State Distribution (RCW 82.14.310) The money is allocated based on population, crime rate and annual number of criminal cases filed in the county superior courts. The entire distribution must be expended for criminal justice purposes and should not be used to replace or supplant existing funding.	3360610 - criminal justice – counties
Public Health Assistance for the purpose of public health purposes	3360423 - public health assistance
Public Health Assistance for public health purposes – 2013 2ESSB 5034, section 710, allocates \$36.4 million for county public health assistance to the local health jurisdictions in FYs 2014 and 2015. The local health jurisdictions are required to provide reports regarding expenditures of this revenue source to the legislature.	3360424 - public health assistance - appropriations beginning July 1, 2013
State Criminal Justice 330(1)(b) Funding (RCW 82.14.330(1)(b)) - funds should be used only for (1) innovative law enforcement strategies, (2) programs to help at-risk children or child abuse victim resource programs or (3) programs designed to reduce the level of domestic violence or to provide counseling for domestic violence victims.	3360626 - criminal justice - special programs
State Juvenile Justice Funding - funds should be used solely for county adult court cost associated with implementation of revised Juvenile Justice Act. See chapter 13.40 RCW.	3360631 - adult court costs - juvenile offenders
State Juvenile Impact Funding - funds should be used to provide funding for county impacts associated with the implementation of the Chapter 338, Laws 1997 (juvenile code revision). See chapter 13.40 RCW.	3360632 - juvenile rehab - impacted counties
State DUI Implementation Funding - used for the cost of implementation of the DUI and other criminal justice statutes	3360651 - DUI and other criminal justice assistance
State Extraordinary Criminal Justice Funding - for the extraordinary criminal justice cost related to the aggravated murder cases	3360652 - extraordinary criminal justice cost
Liquor Taxes and Profits for Substance Abuse (RCWs 66.08.170-210, 66.24.290, 71.24.550-555, 82.08.150-200, BARS section 3.6.8) – 2% of the County's share must be spent on substance abuse treatment program(s) approved by DSHS and the applicable alcoholism and drug abuse board.	3360694 – liquor / beer excise tax 3360695 - liquor control board profits

Restrictions on the use of Resources	BARS Bassub
<p>Law Library Filing Allocation (RCWs 3.62.060, 27.24.070, 36.18.014, 36.18.020,) - Courts should allocate a certain amount of the local portion of district/municipal court civil filing fees and superior courts civil, probate and domestic relation filing fees for the support of the law library.</p>	<p>34122XX - district/municipal court civil filing services 34123XX - superior courts civil, probate, and domestic relation filing services</p>
<p>Dispute Resolution Center Surcharge (RCW 7.75.035) – County may impose a surcharge on civil filing and small claims filing fees of up to \$10 and \$15 respectively to be used solely for dispute resolution centers.</p>	<p>34124XX - dispute resolution surcharge</p>
<p>Local Share of Penalty Assessments (RCW 7.68.035(4)) – the local share of penalty assessments are to be used for support of comprehensive victim and witness program.</p>	<p>34198XX - county crime victim and witness programs services</p>
<p>Recording Fees (RCW 36.22.170, BARS section 3.6.2.10) - \$1 of the \$5 surcharge should be deposited into the general fund to promote historical preservation or historical programs. 50% of the remaining surcharge should be deposited in the Auditor Operation and Maintenance Fund for ongoing preservation of historical documents of all county offices and departments. The remaining 50% should be remitted to the state treasurer.</p>	<p>34136XX - auditors' historical document preservation and modernization surcharge</p>
<p>Affordable Housing Recording Surcharge (RCWs 36.18.010, 36.22.178, 36.22.179, BARS section 3.6.2.10) - \$10 per document recorded. Of this, up to 5% can be retained by the county for administration, 40% is to be remitted to the State Treasurer and the rest is to be deposited in a fund restricted for eligible housing activities.</p>	<p>34121XX - Auditors' filings and recordings 34126XX - recording surcharge - affordable housing</p>
<p>Homeless Assistance Recording Surcharge (RCW 36.22.179) - to be used for homeless housing programs.</p>	<p>34127XX - recording surcharge - homeless housing</p>
<p>Court Records Fees - 1.75% of the court's local portion must be remitted to or spent on county crime victim and witness programs.</p>	<p>34132XX - district/municipal court records services 34162XX - municipal/district court printing services</p>
<p>Probation Service Assessments (RCW 10.64.120) - Monthly assessments can be levied by District Courts on a person for probation services. Per legal guidance given to SAO by the Attorney General, we are not interpreting the law as including any non-supplanting provisions. However, these assessments would be restricted to be used only for probation services.</p>	<p>3423XXX – detention and correction services</p>
<p>Juvenile Diversions (RCW 13.40.085) - all fines and fees collected for juvenile diversions stay with the county to supplement juvenile services</p>	<p>3427XXX - juvenile services</p>
<p>Stormwater fees (RCW 36.89.080) – funds may be used only for the purpose of maintaining and operating stormwater control facilities, expenses of planning, designing, establishing, acquiring, developing, constructing, and improving of any such facilities, or to pay or secure the payment of all or any portion of any issue of general obligation or revenue bonds issued for such purpose.</p>	<p>3431000 – storm drainage sales and services</p>
<p>Zoning and Subdivision fees (RCW 82.02.020) - Permit related fees can only be used to cover the cost of processing applications, inspecting and reviewing plans, or preparing detailed [environmental] statements. Voluntary agreement revenues and SEPA mitigations may only be expended to fund a capital improvement agreed upon by the parties to mitigate the identified, direct impact.</p>	<p>34581XX - zoning and subdivision services</p>
<p>Plan Check Fees (RCW 82.02.020) - Fees can only be used to cover the cost of processing applications, inspecting and reviewing plans, or preparing detailed [environmental] statements.</p>	<p>34583XX - plan checking services</p>

Restrictions on the use of Resources	BARS Bassub
<p>Transportation Impact Fees (RCW 39.92.040) – impact fees from new development shall be used in substantial part to pay for improvements mitigating the impacts of the development or be refunded to the property owners of record.</p>	<p>34584XX - local transportation act impact fees</p>
<p>GMA Impact Fees (RCW 82.02.050-090, 36.70A.070) - funds collected as a result of new developments shall be used in substantial part to pay for improvements mitigating the impacts of the development, in compliance with the Growth Management Act, or be refunded to the property owners of record.</p>	<p>34585XX - growth management Act (GMA) Impact Fees</p>
<p>Domestic Violence fines (RCW 10.99.080) - assessments on convicted domestic violence offenders must be used for establishing and operating domestic violence advocacy, prevention and prosecution programs. Revenues may not be used for indigent criminal defense.</p>	<p>3569XXX - other criminal non-traffic fines</p>
<p>Criminal profiteering fines - funds should be used by the county prosecuting attorney for the investigation and civil enforcement of criminal profiteering.</p>	<p>3575XXX - criminal profiteering</p>
<p>Donations – donations or bequests may have purpose or use restrictions. The County is responsible for tracking and complying with these restrictions.</p>	<p>367XXXX – contributions and donations from nongovernmental sources</p>
<p>Equipment Rental and Revolving Fund (Chapter 36.33A RCW) - The ER&R Fund is established by RCW 36.33A for the purpose of “a revolving fund for the purchase, maintenance, and repair of county road department equipment; for the purchase of equipment, materials, supplies, and services required in the administration and operation of the fund; and for the purchase or manufacture of materials and supplies needed by the county road department.”</p>	<p>Accounted for in an internal service fund</p>
<p>Proceeds of Voted General Obligation Bonds (WA State Constitution, Article 7, Section 2b) - voted GO bond levy funds may only be used for capital purposes. This restriction is repeated in the authority to levy excess property taxes at RCW 84.52.056. This restricts the use of GO debt from replacement equipment or allocating a portion of such funds to an arts program to the extent such allocation is not restricted to capital objectives.</p>	<p>Proceeds recorded in 39110XX Obligations on Schedule of Liabilities as ID 251.12</p>

APPENDIX 3: Available CAATS Data Sets, Data Validation Steps, Common Systems Reviews

System	CAATS Data Sets Available through EIS and/or FAP	Data Validation Step Available	Common System Review Available
Accela (SpringBrook)	Access	Yes	Yes
ASP	FAP, (GL Data No Longer Supported)	No	Yes
BIAS	Access, FAP	Yes	Yes
BiTech	FAP	Yes	No
Cayenta	Access, FAP for JTDs	No	Yes
CompuTech	Access, FAP	Yes	Yes
CIS (processed by Team STAT)	FAP	No	Yes
Eden	Access, FAP	Yes	Yes
Fleet-net	FAP	Yes	Yes
GanserFire	No	No	Yes
H.T.E	Access	Yes	Yes
InTouch	Access	Yes	Yes
JIS_Courts	FAP	No	Yes
Lindsey	Access	Yes	Yes
Link2Gov	No	No	Yes
Meditech	No	No	Yes
Munis	Access	Yes	Yes
eCityGov	No	No	Yes
New World	Access, FAP	Yes	Yes
Odyssey (Courts)	FAP	No	No
ORCA Transit	No	No	Yes
Peachtree	No	No	Yes
QuickBooks	No	No	Yes
Quicken	No	No	Yes
SystemDesignNW	N/A	No	Yes
TerraScan	N/A	No	Yes
Vision	Access	Yes	Yes