

Mason County Fire Protection District No. 6

General

Code: 08MasonCoNo6-AC22
Name: Mason County Fire Protection District No. 6
Group: Port Orchard
Type: 08-Fire Protection District
Location: Mason
Scope: Not Applicable

Team

Lead: Danae Welty
Manager: Amy Strzalka

Procedures

A.1.PRG - TeamMate Administration

Procedure Step: Audit Set Up
Prepared By: DW, 12/16/2023
Reviewed By: ACS, 1/23/2024

Purpose/Conclusion:

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Purpose / Conclusion:

Set up TeamMate audit file in accordance with TeamMate Protocol.

Testing Strategy:

All of the following steps are required in order to properly set up the TM file except for the optional step to set up global tickmarks. If the budget is less than 100 hours, auditors may skip steps 4-6 (filling out the profile and sending to TC) until the end of the audit.

1. **Add the audit team to the project** - To do this, go to the Planning tab and select Team. Then select the team from the TeamStore by clicking the "get" button. [For confidential audits only \(IT, Medicaid, etc.\): Disable guest access.](#)
2. **Set Project Manager and Lead** - Select the Lead and Manager from the drop down menus in the Team Tab of the Profile. The "Lead" should be the Auditor-In-Charge of the audit, and the "Manager" should be the Assistant Audit Manager supervising the audit.
3. **Fill out initial information in the Profile** - The Project Profile captures general information about the audit for the TeamCentral database. Access the Profile from the Planning tab and populate as many of the required fields in the Profile as possible at this stage of the audit. A description for each required field can be found in the TeamMate Protocol document.
4. **Centralized Projects** - Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
5. **Resolve any TMDV errors** - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol. If TMDV identifies errors for your project, resolve the errors and send to central again (if distributed) until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the TeamMate Administrative Group to initiate corrections to our other databases.

6. **Set up your favorite global tickmarks (optional)** - Global tickmarks are available throughout the audit file and do not change from workpaper to workpaper. You can access the global tickmarks screen from the Planning tab.

7. **Initialize Audit** – Attempt to sign off on this step, which will trigger a dialog box asking if you would like to initialize the audit. After initialization of the audit, you may continue to add users or global tickmarks, but cannot delete any.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

[TeamMate Protocol Document](#)

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Record of Work Done.:

1. Added the audit team to the project (all audits). As applicable, disabled guest access (confidential audits only). YES
2. Set the Project Manager and Lead YES
3. Filled out the audit profile YES
4. Checked Data Validation System for errors YES
5. Resolved all TMDV Errors YES
6. Set up my favorite global tickmarks, if needed YES
7. Initialized the audit file YES

A.1.PRG - TeamMate Administration

Procedure Step: Project Review & Finalize

Prepared By: DW, 2/22/2024

Reviewed By: ACS, 2/22/2024

Purpose/Conclusion.:

Purpose/Conclusion:

To ensure that audit documentation complies with TeamMate Protocol, the audit file is ready for finalization and archiving, and that any files outside of TeamMate are completed and reviewed.

Testing Strategy.:

Replicas

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Ensure that all replicas are merged into the master file and discard any replicas that will never be merged.

Review of workpapers

Review workpapers to ensure they are completed and properly signed off. You can use the Procedure Status Viewer (for all procedure steps) or the Schedule Status Viewer (for procedure summaries and attachments) to see the status of steps and attachments in the audit file. *The Viewers can be accessed from the buttons on the Navigation Bar at the bottom of the screen.*

Coaching Notes

Verify that all coaching notes have been addressed and cleared. You can use the Coaching Notes Viewer to see the status of all Coaching Notes in the audit file. *The Coaching Note Viewer can be accessed by using the button on the Navigation Bar at the bottom of the screen.*

During the finalization process, coaching notes will be deleted. If you want to keep these notes you will need to create a report using the Reports wizard and save it outside of the TeamMate file.

Hardcopy Files and External Data

Ensure that hardcopy files referenced by the audit are completed and reviewed. Also ensure that any unnecessary documentation or files, including databases with any confidential or sensitive information, are appropriately disposed. If files or databases are needed for future periods, ensure these are appropriately secured. *See the SAO Administrative Policy on Data Security and Access.*

Project Profile

Review and update the Profile information. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed from your Start Menu / All Programs / State Auditor's Office or on the Intranet on the TeamMate page.*

Confidential Audits Only

Disable guest user and any other users granted temporary file access.

Issue Review

Ensure issue content is exactly what was presented to the client per the Exit Document, Management Letter, or Finding. There should only be one issue for each finding, management letter item and exit comment. Additional information or notes about the issue can be documented in the "notes" tab. Any other documented issues (that were communicated verbally, at pre-exits or were later combined or dropped) should be either deleted or marked as "verbal recommendations."

Check that all required issue fields are completed and correct. See the TeamMate Protocol document for definitions and instructions for each required field. *The Protocol document can be accessed under Audit / TeamMate on the Intranet.*

Issue Sign-Off

All issues must be reviewed and signed off by a Supervisor and/or Audit Manager, per Protocol. The finalization process will require all issues to

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have a state of "reviewed."

Audit Status in Tracker

Update the Audit Status of prior audit management letters and findings in Tracker. See the [Tracker Quick Reference Guide](#) for details.

Resolve any TMDV errors - The TeamMate Data Validation (TMDV) application performs a series of edit checks on data in your project to ensure accuracy and conformity to protocol.

- Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork"
- Go to <http://saoapp/TMDV/ViewProjectErrors.aspx> and enter the project code then "Validate" to check your project for errors.
- If TMDV identifies errors for your project, resolve the errors and check web site until TMDV displays that there are no records to display.

Exceptions could indicate either errors in the TeamMate profile or issue data or errors in other SAO databases. If you have confirmed that information in TeamMate is correct, contact the **TeamMate Administrative Group** to initiate corrections to our other databases.

Change Project Status

Go to the Status and Milestones tab in the profile and change project status to "Post Fieldwork".

Enter the report issuance date in the "Issued (Final Report)" field. **REMINDER: DO *NOT* CHANGE THE STATUS OF THE PROJECT TO ISSUED.**

Complete/Finalize Project

After the audit report has been sent to OS the audit should be finalized by the Audit Manager. To do this, go to Review | Finalize. The finalization process will:

- Halt the process if any issues have not been reviewed;
- Warn the Audit Manager of unreviewed workpapers and/or steps;
- Check for uncleared coaching notes;
- Finalize the project, which prevents any further changes from being made to the file.

Note: if the project is finalized and the team subsequently needs to add or modify the documentation, contact the TeamMate Administrator for assistance.

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Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

TeamMate Protocol Document

Record of Work Done:

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

- All outstanding replicas are merged. YES
- All workpapers have been reviewed. YES
- Coaching notes have been addressed and cleared. YES
- Hardcopy files have been completed and reviewed. YES
- 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. YES
- The audit profile has been completed. YES
- As applicable, any guest/temporary user access has been disabled (confidential audits only). NOT APPLICABLE
- Issue content has been reviewed and required fields completed. YES
- All issues have been signed off as reviewed. YES
- The Audit Status of prior audit management letters and findings has been updated in Tracker. YES
- All TeamMate Data Validation errors are resolved. YES

The audit will now be finalized and be marked for archival.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Verify DSA

Prepared By: DW, 12/16/2023

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Reviewed By: ACS, 1/9/2024

Purpose/Conclusion.:

Purpose / Conclusion:

To verify that a Data Sharing Agreement is in place before starting the audit.

Testing Strategy.:

Prior to starting the audit, teams are **required** to verify that a Data Sharing Agreement is in place by performing the following procedures:

- Go to the DSA Library: <https://stateofwa.sharepoint.com/sites/SAO-DataSharingAgreements/DSA/Forms/AllItems.aspx>
- Check the folder corresponding to the entity's MCAG. *This can be done by searching for the MCAG in the upper left search box or by finding it in the responsible team's folder.*
- If a DSA is not yet in place, then work with your manager to get an agreement in place prior to starting audit work. *If the entity has a No-DSA Waiver in DSA Library, the audit may continue but no confidential data (category 3 or 4) can be requested or received. If this restriction becomes a barrier for the audit, the team should consult with their Assistant Director and TAS.*
- If the DSA Scope is other than "General" or DSA Type is something other than "Standard DSA" then auditors should be familiar with the contents.

Guidance/Criteria.:

Record of Work Done.:

We checked the DSA Library and confirmed that a Data Sharing Agreement was in place prior to starting audit work.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Engagement Letter

Prepared By: DW, 1/18/2024

Reviewed By: ACS, 1/23/2024

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Purpose/Conclusion.

Purpose / Conclusion:

To confirm that a common understanding of the terms of the audit engagement exist with the government.

Testing Strategy.

To confirm our understanding with the government, auditors are **required** to perform the following procedures:

- Use the engagement letter template from TeamMate and modify it for the scope of the audit and any special needs.

Auditors should consider the need to confirm any critical scheduling or deadline issues, access to information at key service providers or component units or other matters that may be necessary to avoid or address prior audit difficulties.

- Have the engagement letter signed by at least the audit contact and a key oversight official (e.g. the chief executive or a member of the governing body or its audit committee). Auditors should consider whether others within the entity should also sign the engagement letter.

The team should consider whether signatures by a representative of the governing body, the chief executive and/or a member of the audit committee would be most appropriate for the circumstances and whether others in the organization should also sign. In making this judgment, auditors should consider the risk of miscommunication or lack of communication about the audit within the government, whether deadlines may not be met, and the likelihood and nature of any audit difficulties.

- Determine most appropriate time to obtain a signed engagement letter, but not later than the entrance conference date. Auditors should print the engagement letter for signature to ensure it is not modified.

Normally the engagement letter would be signed on the first day of fieldwork. However, it may be more appropriate to sign later after preliminary meetings about scheduling or at the entrance conference to facilitate signing by the governing body.

*Note that delay or refusal to sign the engagement letter would **not** preclude us from continuing with the audit, since our audit authority is based on statute and our own policy. However, in such circumstances, auditors should proceed with caution and consult with their manager and assistant director to determine the effect on the audit and the most appropriate response.*

Contact TAS with questions or for assistance with modifications to the engagement letter.

Changes to the Engagement Letter:

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Auditors should carefully review management requests for major changes to engagement terms. To consider and respond to any requested changes, auditors are required to perform the following additional procedures:

- Understand management's reasoning and objective for the change.
- Discuss the requested change with their manager and, as appropriate, their assistant director and Team Audit Support.
- Auditors should not agree to changes that are not reasonably justified, including a request **during an audit** for a change in engagement type to one with a lower level of assurance.
- Changes to engagement terms **during an audit** should be documented in a new engagement letter or amendment in accordance with Policy 2140 and 1220. Include the new engagement letter or amendment in the audit documentation and an explanation in the Record of Work Done. An amendment email template is available in the TeamStore. Be sure to add your formal signature to the bottom of the email prior to sending.
- Update audit plan and related steps to reflect the changes as appropriate.

Auditors should also complete a BUCO for changes to the audit period, scope or budget to update Audit Number information.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Policy [2140](#) - Engagement Letters

Record of Work Done:

To confirm our understanding with the government, we performed the following **required** procedures:

We developed an engagement letter using our template and considering the scope and factors affecting the audit, seen at [Engagement Letter](#).

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. On January 17, 2024, we sent the engagement letter to Heather Fredrickson.

On January 18, 2024, we obtained the signed engagement letter as shown at . No further work is considered necessary.

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B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Review Annual Report

Prepared By: DW, 12/21/2023

Reviewed By: ACS, 1/17/2024

Purpose/Conclusion:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Purpose:

To determine compliance with annual report filing requirements and identify items to consider in assessing audit risks.

Conclusion:

We determined that filing requirements were met.

Based on our review of the annual report, we noted **potential risks taken to the brainstorm for further consideration**

- Self-insurance for unemployment - required area to be reviewed every audit as the District is on a 3 year audit cycle.

Testing Strategy:

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.

Contact Stacie Tellers with questions on reporting levels for annual report filing issues. When governments fail to file their annual report or are so late that it is not available at the beginning of the audit, this may also require an increase in audit budget and represent a difficulty that should be discussed at the exit conference.

Suggested Level of Reporting for late filings:

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<i>Audit Issue</i>	<i>SAO Action</i>
<i>Annual Report 1-29 Days Late</i>	<i>First offense, no recommendation; repeat issue - exit item</i>
<i>Annual Report 30-59 Days Late</i>	<i>Exit Item **</i>
<i>Annual Report 60-364 Days Late</i>	<i>Management Letter **</i>
<i>Annual Report >365 Days Late</i>	<i>Finding</i>

***If multiple audit cycles, the issue can escalate – consult with and obtain approval from the Program Manager*

NOTE: If auditors are proposing a lower level of reporting for an entity than outlined in the above table, the LOR spreadsheet should be completed to document the reasoning and control factors that support the lower level of reporting which should be reviewed and approved.

- 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.
- If the government has filed, auditors should review the following reports:
 - Attached schedules | Schedule 15 – State Grant Expenditures
- Attached schedules | Schedule 16 – Federal Grant Expenditures
 - Attached schedules | Schedule 17 – Public Works and Day Labor (cities and counties)
 - Attached schedules | Schedule 21 – Risk Management

Self-Insurance programs are required to be audited every two years (or every audit for those on a three-year cycle). The purpose of Schedule 21 is to identify and gain an understanding of these programs, and to assist us in planning our accountability audit to meet the requirement. Consider using the [optional Self-Insurance Assessment work paper](#) during planning to gain an understanding of potential self-insurance programs not reported on Schedule 21, available in the TeamStore in the [Accountability Planning Workpapers folder](#).

- Attached schedules | Schedule 22 – Annual Audit Assessment (if 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.

If the cash basis government is only receiving an accountability audit, teams should consider following up on significant yellow flags or performing other procedures to verify data accuracy, such as tracing reported figures to the GL or County Treasurer reports. If significant misstatements are identified, teams should ask the government to review and resubmit corrected figures.

If governments have any questions or difficulty with online filing or updating their online filing, direct them to contact Team LGS for assistance

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(such as Kayley Pagio).

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Accountability Audits Planning Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS [4.8.1](#) SAO Annual Report Schedules - Revenues/Expenditures/Expenses (Schedule 01) - 4.8.1.20 requires updates to annual reports for any subsequent adjustments up to the time of audit completion, after issuance of the audit report, if any errors are identified they should be recorded in the next period as a prior period adjustment

RCW [43.09.230](#) Local Government Accounting-Annual Reports-Comparative Statistics - requires annual reports to be submitted to SAO within 150 days after the close of each fiscal year

Other Entity-Specific Reporting Requirements

- **Hospital Districts** - On December 6, 2005, our office issued a letter to all public hospital districts informing them that we would not consider hospitals reporting one month late (by June 30) to be a significant issue and, accordingly, would not report such late submissions as management letter or finding. This practice is due to our recognition of deadlines that Hospitals must meet to submit Medicare cost reports.
- **Housing Authorities ([RCW 35.82.230](#))** – Authorities must file a report of its activities for the preceding year with the creating City or County.
- **Risk Pools ([RCW 48.62.091\(4\)](#))** – Annual report with certain information to State Risk Manager and State Auditor
- **Transportation Benefit Districts ([RCW 36.73.160\(2\)](#))** – Districts must issue an annual report to the public indicating the status of transportation improvement costs, transportation improvement expenditures, revenues, and construction schedules.

Record of Work Done:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our

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audit report will list the areas selected for testing and our conclusions.

To review the annual report, we performed the following **required** procedures:

- We checked the Data tab of EIS to determine whether the annual report was filed by the statutory deadline.
 - FY2020 - the District filed their report on 5/18/2021 which is before the statutory deadline
 - FY2021 - the District filed their report on 4/19/2022 which is before the statutory deadline
 - FY2022 - the District filed their report on 5/6/2023 which is before 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.

Not applicable to the District as they filed their annual reports for both years included in the accountability audit.

- If the government has filed, auditors should review the following reports:
 - Attached schedules | Schedule 15 – State Grant Expenditures - We confirmed they filed it for all years in the audit period. Our review of the District's Sch 15 noted the following:
 - FY2020 - \$13,260 in state and local assistance
 - FY2021 - \$1,260 in state and local assistance
 - FY2022 - \$1,125 in state and local assistance
 - Attached schedules | Schedule 16 – Federal Grant Expenditures
 - The District does not regularly expend over \$750,000 in federal funds and therefore does not receive a single audit, however we confirmed the District included a SEFA as part of their annual report package for all years included in the audit period. We reviewed the SEFAs and noted the District expended the following amounts, however we will not perform additional procedures to ensure they did not under report federal expenditures which would result in a missed single audit:
 - 2020 - \$1,521
 - 2021 - \$1,476
 - 2022 - \$2,960
 - Attached schedules | Schedule 17 – Public Works and Day Labor (cities and counties)
Not applicable to the District, schedule only applicable to cities and counties

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- Attached schedules | Schedule 21 – Risk Management
 - FY2020 - filed, the District is reporting as self-insured for unemployment
 - FY2021 - filed, the District is reporting as self-insured for unemployment
 - FY2022 - filed, the District is reporting as self-insured for unemployment

As self-insurance is required to be reviewed every two years, or every audit for three year cycles, we will bring this forward to our brainstorm for further consideration.

- Attached schedules | Schedule 22 – Annual Audit Assessment (if applicable)
 - FY2020 - filed as part of their annual report package
 - FY2021 - filed as part of their annual report package
 - FY2022 - filed as part of their annual report package
- 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.

As the District reports on a cash basis, we reviewed the Yellow Flag report for both years included in the audit period and noted the following:

- FY2020 - no variances
- FY2021 - no variances
- FY2022 - no variances

We determined the reported financial information is reliable enough to use for analytical procedures as the data we will be using for our trends comes directly from the District's accounting system.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Understanding Entity & Environment

Prepared By: DW, 1/17/2024

Reviewed By: ACS, 1/17/2024

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Purpose/Conclusion.

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm by performing general inquiry, observation, inspection and by updating our understanding of the entity's operations and entity-level controls in the permanent file.

Conclusion:

Conclusions based on our evaluation of entity operations and entity-level controls are documented in the corresponding permanent file steps.

Based on general inquiry, observation, inspection, we noted **potential risks taken to the brainstorm for further consideration**

- **EFT Controls** - Due to the increase in the number of payroll and vendor EFT cyber related frauds, testing EFT controls is a required risk to assess for all entities we audit. There is a risk the District does not have adequate controls in place to identify fraud/loss.
- **Financial Condition** - Governments have experienced a wide range of effects as a result of COVID-19. This will be assessed during our baseline testing.
- **Payroll Leave** - Payroll is inherently risky for fire districts as firefighters can earn a significant amount of overtime and accrue a significant amount of sick and vacation leave which results in large buyouts. There is a risk leave is not properly tracked and that buyouts are not calculated properly.

Testing Strategy.

The following procedures are **required** to be done. Risks are to be documented and summarized in each of the respective PERM file procedures and will be carried forward to the brainstorm summary. *The inclusion of links to the permanent file locations is not necessary in the ROWD.*

- **Review the applicable planning guide(s)**

Any required risks to assess that are listed in the planning guide must be identified as a risk indicator and evaluated at the planning conference brainstorm for applicability and significance.

- **Inquire with the liaison or other key staff to discuss the audit and any key changes at the entity since the last audit**

For example, auditors may ask about any significant events or changes occurring since the prior audit (ex: new debt, major construction,

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new software, etc).

- **Update the "Entity Operations" step in the permanent file**
- **Update the "Entity-Level Controls" step in the permanent file**
- Review and update government profile information in EIS

In addition to required risk assessment procedures performed in other planning steps and general inquiry, observation and inspection as part of on-site fieldwork, **consider** additional procedures, based on the government's size, complexity and anticipated risk and the auditor's experience. Additional procedures may include:

- Review recent Client Helpdesk questions submitted by the government, which can be viewed in the Helpdesk tab of EIS.
- Scan the entity's budget and/or comprehensive plan.
- Review list of resolutions passed during the period.
- Review the entity's website.
- Tour facilities.
- Identify significant sources of restricted funds.
- Review list of contracts awarded or contract activity reports.
- Identify significant revenue and expenditure streams.
- Identify cash receipting locations.
- Obtain a list of petty cash, change funds and imprest funds.
- Scan bank account and investment statements or financial statement notes to evaluate investment activity and the types of investments and accounts used.
- Review Public Disclosure Commission filings for elected officials or request information on personal or family businesses and land holdings from appointed officials and/or key employees.
- Scan Schedule 21 in the entity's annual report. Annual report information in LGCS can be accessed from the data tab of EIS.
- Review the applicable [Common System Review](#) for primary and other risks to consider

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [4210](#) - Planning Accountability Audits

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Accountability Audits Planning Guide

Record of Work Done:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

We performed the following **required** procedures:

Procedures Performed to Update Understanding

We performed the following procedures:

- Reviewed planning guide, updated 3/2/2023 and noted the following **Required Risks to Assess** and consider at our brainstorm:
 - ***EFT Controls*** - Due to the increase in the number of payroll and vendor EFT cyber related frauds, testing EFT controls is a required risk to assess for all entities we audit. There is a risk the District does not have adequate controls in place to identify fraud/loss.
 - ***Financial Condition*** - Governments have experienced a wide range of effects as a result of COVID-19. This will be assessed during our baseline testing.
 - ***Payroll Leave*** - Payroll is inherently risky for fire districts as firefighters can earn a significant amount of overtime and accrue a significant amount of sick and vacation leave which results in large buyouts. There is a risk leave is not properly tracked and that buyouts are not calculated properly.
- General inquiries and discussion with the audit liaison Heather Fredrickson, Office Manager, and Chief Clint Volk
- 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 and risk assessment is documented in the Permanent File section of the audit, seen at Entity Operations - BARS Cash Basis.
- Gained an understanding of internal control components (based on the entity-level controls) for the government as a whole. Our understanding and risk assessment is documented in the Permanent File section of the audit, seen at Entity-Level Controls.
- Reviewed and updated government profile information in EIS.

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Significant Events, Changes and Issues Noted:

During our minutes review we noted the District broke away from using volunteer firefighters and hired temporary employees to fill the shifts were additional personnel is needed. We inquired with Heather Fredrickson, Office Manager, and Clint Volk, Fire Chief and they noted that they told us that they purchased some vehicles; ambulance in 2021, F-350 in 2021, and Dodge 1500 in 2022. They additionally noted the ongoing lawsuits the District has been dealing with (associated risks already noted in other planning steps).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: FS & SA Audit Coordination

Prepared By: DW, 12/21/2023

Reviewed By: ACS, 1/9/2024

Purpose/Conclusion.:

Purpose:

To identify potential accountability risks that were identified by financial and/or single audits, or that will be sufficiently addressed by these audits in order to ensure coordination of related audit work.

Conclusion:

We identified **no** accountability areas that were addressed in financial or single audits and can be considered low risk or not needing any further audit procedures for our accountability audit

Furthermore, we identified **no risk indicators**

Testing Strategy.:

Auditors are **required** to coordinate the accountability audit with any entity financial or single audits.

AUDITS PERFORMED BY SAO

Identify the scope and issues from the financial statement and single audit, if applicable.

Auditors should consider areas tested during the financial statement audit that also relate to accountability risks, such as revenue or

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expenditure testing that addresses accountability risks, testing for the rights & obligations assertion, testing related party transactions, cost allocation plans, self-insurance, extraordinary transactions, debt covenants, etc.

AUDITS PERFORMED BY OTHERS

STEP 1: Identify financial and/or single audits performed by external auditors.

Determine if an entire financial statement and/or single audit(s) of the entity was performed by other auditors. Ensure the following required steps have been completed in compliance with SAO Audit Policy 3510 for use of external auditor's work. **Note: Review work may have been performed by another team, depending on the location of the CPA firm. Prior to performing the following steps, verify the status of the CPA review.**

- Discuss with Audit Manager; has review been performed, if not who will be performing review.
- Team performing review will create a new audit number and set up a separate TeamMate file for the CPA Audit Review.
- In the separate TM file, the team performing review will use the **CPA Audit Review steps** in the Special Engagements folder in the Store.
- This TeamMate file must be completed prior to planning the accountability audit (code time to "CPAP").
- If unable to complete the review in time for planning the accountability audit, re-evaluate the timing of the accountability audit and/or discuss the timing with your Assistant Director.

If part of the financial statement audit is performed by other auditors review the SAO financial statement audit to identify the scope. SAO Audit Policy 3510 requires staff to review the CPA workpapers if the portion of the primary government audited is 1) significant to the primary government (such as a Utility fund to a City) **and** 2) in lieu of an SAO audit. For CPA audits that do not meet these criteria no workpaper review is required. However, we still need to consider the audit results and any potential impact.

STEP 2: Review identified audits for work and exceptions.

Auditors should perform the following steps as they relate to the accountability audit objectives.

When the external audit is of the entire financial and/or single audit or a significant portion of the primary government:

- Obtain the TM file for the CPA Audit Review.
- Review the Concluding Step in the TM file.
- Review the CPA Review Checklist. Questions on checklist to specifically review for accountability audit objectives:
 - questions 10 & 21 – list of material compliance requirements identified and testing performed
 - questions 12 & 20 – list of significant risks identified and testing performed
 - question 25 – any known or likely misstatements missed

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- question 33 – conclusion on entity’s going concern
- questions 34, 35, 36 – misstatements identified
- question 42 – report modifications
- questions 43 & 44 – evidence of fraud, noncompliance or abuse
- questions 45, 46, 47 – audit results, significant deficiencies, material weaknesses, other recommendations
- question 50 – any other areas tested that leverage potential risks in our audits
- question 51 – any other issues or risk indicators that should be considered in our audits
- Review the Close Out Letter for any concerns with the audit documentation or report.

For audits of part of the primary government (not significant and not in lieu of an SAO audit):

- Obtain a copy of the audit report. If the SAO financial statement audit has been completed it should be in the related TM file.
- Review the Audits Performed by Others step (in f/s planning).

STEP 3: Document scope and results of identified audits, identifying areas of risk or areas that can be leveraged.

Auditors should document the following as they relate to the accountability audit objectives.

- Briefly document the scope and results of the other audit. (Such as fiscal year, opinion issued, findings, other recommendations, etc.)
- Document areas of risk to consider in the accountability audit based on review of the items in Step 2 (risk indicators).
- Document areas addressed by external auditors that potentially minimize risk for the accountability audit based on review of the items in Step 2.

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3510](#) – Use of External Auditors’ Work for Local Government Audits

[Accountability Audits](#) Planning Guide

[Review Work of Others](#) Planning Guide

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Record of Work Done.

Financial Statement and Single Audits Performed by SAO:

The government does not receive a financial audit performed by SAO.

The government does not receive a single audit performed by SAO.

Financial Statement Audits Performed by Others:

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

Single Audits Performed by Others:

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

B.1.PR.G - Accountability Planning - Local Govt

Procedure Step: Other Engagements & FAWF

Prepared By: DW, 1/21/2024

Reviewed By: ACS, 1/23/2024

Purpose/Conclusion.

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm from other engagements and the FAWF.

Conclusion:

Based on our review of other engagements and the FAWF, we noted **potential risks taken to the brainstorm for further consideration:**

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- Payroll - gross wages has not been completed since 2014 audit. Payroll was included in the prior audit however it was limited to vacation cashouts and volunteer stipends. During our minutes review we noted the District stepped away from the use of volunteer fire fighters and instead began using temporary employees to fill those positions/shifts. We identified the following risks related to payroll
 - Gross pay - there is an inherent risk payroll costs were not calculated properly
 - Temp. employee pay - there is an inherent risk the District does not have a policy over temporary employees, there is an inherent risk the temp. employees are not being paid in accordance with the policy and the amounts are not properly reviewed and approved.
- Procurement - purchases have not been reviewed since the 2014 audit, we noted in our minutes review the District purchased a new ambulance during the audit period. In addition, the District received a management letter related to procurement in the prior audit. There is an inherent risk the purchases were not procured properly.
- Ambulance billing & receipting - has not been reviewed since the 2016 audit. There is an inherent risk the District does not have adequate controls in place to ensure transports are billed at the proper rate and that the District does not have adequate controls in place to ensure deposits are complete and made timely.
- Self-insurance for unemployment - this was reviewed during the last audit but as the District is on a three year audit cycle it has to be considered during each audit. There is an inherent risk the District does not have adequate controls in place to ensure enough is budgeted for unemployment to pay for future claims.

Testing Strategy:

Auditors are **required** to identify and review relevant audits, engagements and studies and follow up on the status of issues by performing the following procedures:

FAWF

Review Future Audit Work File (FAWF) items using the link in EIS "Data" tab. Document items and risk assessment conclusions in the attached [FAWF Review](#) workpaper.

Note: the link to the FAWF files in EIS does not currently work with Edge or Chrome, auditors will need to use Internet Explorer.

Follow Up on Exceptions from Last Accountability Audit

- Check Tracker to get a list of audit issues from the most recent accountability audit.
- For each prior finding and management letter, review the Entity Reported Status in Tracker. Ask the entity whether Tracker information is current and for further details on the status as needed.
- Document prior issues, asserted status and risk assessment conclusions in the attached [Prior Audit Issues Review](#) workpaper.

If the Entity Reported Status is not completed or up-to-date, auditors should encourage the client to update it. However, it is not the

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auditor's responsibility to ensure it is filled out if the client does not take this opportunity.

Depending on the asserted status, auditors may want to discuss with the liaison whether we should review corrective action during this audit. If prior audit findings are not reviewed, then the liaison should know that we will report them as unresolved in the audit report.

Further follow-up procedures to determine whether the issue was resolved may be performed at this point or incorporated into the audit plan.

Significant Internal Controls Systems:

Maintain a current understanding of significant internal control systems.

- Identify significant internal control systems
- Determine when systems were last reviewed
- Note a risk indicator for any significant systems that have not been recently addressed as a consideration for the audit plan.

Significant internal control systems include controls over the largest parts of the government's revenues, expenditures, assets or liabilities that are subject to substantial risks of fraud, loss, abuse or noncompliance. Typically, such systems would be addressed at least every 3-4 years. However, the need to update our understanding is a judgment dependent on the circumstances of each entity and engagement and should therefore be considered along with all other risk indicators as part of the brainstorm and planning process.

Special Investigations and Hotlines:

Check the EIS "Investigations" tab to identify prior and in-progress SAO audits, hotlines and special investigations.

Open fraud investigations should be coordinated with Stephanie Walker.

Open whistleblower investigations should be coordinated with Sarrah Superville.

Internal Audit:

If applicable, inquiry with internal auditors and reviewing results of internal audit work to identify any potential risks. Evaluate work as follows:

- Identify any work that is relevant to audit objectives.
- If relevant work identified significant exceptions, inquire as to the asserted status of the issue and corrective action.
- Conclude on any risk indicators or areas of lower or higher risk.

Internal work does not preclude our office from also looking at the same area or risk. Reliance may not be placed on internal work unless requirements of audit policy 3520 are followed. Otherwise, internal work and results can only be considered as risk assessment information.

Further follow-up procedures to review internal audit work, or determine whether the issue was resolved may be performed at this point or

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incorporated into the audit plan.

Based on results of this inquiry and review, auditors should update the Entity-Level Controls step with their observations and conclusions on controls.

Other Engagements:

Inquire with management to identify any non-SAO audits, engagements or studies related to accountability audit objectives.

Other engagements might be audits or investigations conducted by grant or oversight agencies, or it may be contracted studies or investigations arranged by the entity. Reliance may not be placed on the work of grant or oversight agencies as described in audit policy 3530. This means work and results can only be considered as risk assessment information.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3410](#) – Follow Up on Previous Audits

SAO Audit Policy [3520](#) – Use of Internal Auditors' Work

SAO Audit Policy [3530](#) – Use of Grant/Program Monitors' Work

[Accountability Audits](#) Planning Guide

[Tracker Quick Reference Guide](#) - provides auditor instructions about updating Tracker

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS [3.10.2](#) Reporting Losses of Public Funds or Assets or Other Illegal Activity

RCW [43.09.185](#) Loss of Public Funds-Illegal Activity-Report to State Auditor's Office - requires that all state agencies and local governments immediately notify SAO in the event of a known or suspected loss of public funds or other illegal activity

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Record of Work Done:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

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 as documented in FAWF Review Template, and noted no risks to bring forward to our brainstorm.

Follow Up On Exceptions from Last Accountability Audit:

We reviewed the audit issues identified by the previous audit as documented in Prior Audit Issue Review. For each issue, we checked the Entity Reported Status in Tracker and inquired with Heather Fredrickson, Office Manager, regarding corrective action and the current status of the issue. We also evaluated the significance of potential effects in order to conclude on the extent of follow-up procedures needed.

We noted the District received a management letter in the prior audit related to procurement. There is an inherent risk the District did not comply with bid law during the audit period.

We specifically noted there were **no** prior audit findings that will require a Summary Schedule of Prior Audit Findings to be prepared.

Significant Internal Controls Systems:

We identified and evaluated key software applications in the Permanent File section of the audit, seen at UPDATED KSA Report.

We gained an understanding of the significant internal control systems, including determination of when systems were last reviewed and identification of any risk indicators that have not been recently addressed. Our understanding is documented at Audit History, where we identified the following control systems to consider at our brainstorm:

- Payroll - gross wages has not been completed since 2014 audit. Payroll was included in the prior audit however it was limited to vacation cashouts and volunteer stipends. During our minutes review we noted the District stepped away from the use of volunteer fire fighters and instead began using temporary employees to fill those positions/shifts. We identified the following risks related to payroll
 - Gross pay - there is an inherent risk payroll costs were not calculated properly
 - Temp. employee pay - there is an inherent risk the District does not have a policy over temporary employees, there is an inherent risk the temp. employees are not being paid in accordance with the policy and the amounts are not properly reviewed and approved.

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- Procurement - purchases have not been reviewed since the 2014 audit, we noted in our minutes review the District purchased a new ambulance during the audit period. There is an inherent risk the purchases were not procured properly.
- Ambulance billing & receipting - has not been reviewed since the 2016 audit. There is an inherent risk the District does not have adequate controls in place to ensure transports are billed at the proper rate and that the District does not have adequate controls in place to ensure deposits are complete and made timely.
- Self-insurance for unemployment - this was reviewed during the last audit but as the District is on a three year audit cycle it has to be considered during each audit. There is an inherent risk the District does not have adequate controls in place to ensure enough is budgeted for unemployment to pay for future claims.

Special Investigations and Hotlines:

Governments are required by law to notify our office of any known or suspected fraud, losses or illegal acts. Our Office also has a citizen hotline for reporting suspected waste, fraud or abuse and a whistleblower program for employees who suspect improper government action. We checked EIS for any relevant loss reports, referrals or investigations and noted **no** risk indicators.

- All hotlines were related to the prior audit - two that were addressed in the prior audit, and two requesting we reopen the prior audit to revise our results. No risks related to the current audit period.

Internal Audits:

We identified **no relevant internal audit function**

Other Engagements:

In addition to coordination of financial statement and single audits as documented in the "FS & SA Audit Coordination" step, we also inquired with Heather Fredrickson, Office Manager, and Clint Volk, Fire Chief, on 1/11/24 regarding other audits or engagements that may be relevant to the accountability audit. We noted **no** other engagements that addressed accountability objectives.

B.1.PR.G - Accountability Planning - Local Govt

<i>Procedure Step:</i>	Minutes
<i>Prepared By:</i>	DW, 12/21/2023
<i>Reviewed By:</i>	ACS, 1/9/2024

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Purpose/Conclusion.

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm by reviewing minutes of the governing body.

Conclusion:

Based on our review of minutes, we noted **potential risks taken to the brainstorm for further consideration**

- Procurement - Purchases, there is an inherent risk the purchases were not procured properly
 - 2021
 - Board approved the purchase of new ambulance
 - Board approved the purchase of Stryker power cot system for \$48,000
 - 2022
 - Board approved request for bids for a light chassis truck and purchased on for \$52,948.31
- Expenditures
 - We noted on several occasions the District's monthly expenditures were higher than normal. There is an inherent risk the purchases were not adequately supported, reviewed or approved.
- Payroll
 - We noted the Board approved 2021 contracts for the office manager and assistant chief. There is an inherent risk employee payments were not made in accordance with contracts.
 - We noted the board approved a 1.2% COLA for chief and assistant chief (2021). There is an inherent risk the COLAs were not applied correctly.
 - We noted in 2021 the Board decided not to use volunteer fire fighters anymore and approved hiring 4 temporary employees to fill those shifts. There is an inherent risk the District does not have a policy over temporary employees, they are not being paid in accordance with their contracts, and their pay is not adequately reviewed and approved.
- Sale of Asset
 - The Board approved the sale of an old engine to another fire district. There is an inherent risk the District did not get market value for the vehicle.

Testing Strategy.

Auditors are **required** to review minutes from the beginning of the audit period to the most recent minutes available.

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- Open the prior audit workpapers and copy minutes review results for meetings occurring since the beginning of the audit period into the current audit. Review for items applicable to the current audit. *Auditors should consider the need to re-review selected minutes and update notes or conclusions as needed in light of any new information or risks for the current audit.*
- Obtain and review meeting minutes starting from where the prior audit finished and continuing to the most recent minutes available. *If minutes are not yet available for the most recent meetings, auditors should review the meeting agendas and follow-up with inquiry as needed on items of interest.*
- Document whether or not there was OPMA compliance for all meeting dates, even those that do not have potential risks noted.

Auditors should check with the AIC to determine if there are any known risks or items to look for. **Examples of risk indicators** and important information to note for an accountability audit are as follows:

- Resolutions, ordinances or policies relevant to accountability objectives.
- Discussion of citizen, vendor or management concerns relevant to accountability objectives.
- Any actions that appear unreasonable, unexpected or outside the scope of the entity's authority.
- Decisions in which board members are abstaining due to potential conflicts of interest.
- Debt issuance.
- Discussion of possible financial difficulties or business risks.
- Significant awarded contracts or public works projects or risk indicators such as:
 - Governing body approval to waive bidding requirements for purchases or public works projects (ex: for sole source or emergency reasons).
 - Use of alternative public works procedures such as design-build or general contractor / construction manager procedures.
 - Discussion of vendor protests or complaints about bid procedures or results.
 - Approval of large or numerous change orders.
 - Discussion of significant cost over-runs or other problems with public works projects.
- New software or conversions.
- Situations that may trigger major liabilities or impairments, such as disasters, significant losses of capital or infrastructure assets or major lawsuits.
- Transfers or interfund loans.
- New grants, revenue sources or rate changes.

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- New cost allocation plans.
- New entities, joint ventures, programs, or activities

Compliance with Open Public Meetings Laws:

During the review of minutes, auditors should also review for compliance and complete the [Baseline Testing | Open Public Meetings](#) step.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

[Reviewing Minutes](#) – 1 hour SAO self-study training that should be taken by all new auditors the first time they review minutes

[Accountability Audits Planning Guide](#)

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

RCW [42.30](#) Open Public Meetings Act – complete chapter on OPMA, including executive sessions found in RCW 42.30.110

Record of Work Done:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Review of Minutes

The Board of Commissioners regularly meets on a monthly basis. Meeting minutes are prepared by [who] and are saved on their website at [Commissioners \(mcfid6.com\)](http://mcfid6.com).

We reviewed minutes to gain an understanding of decisions made and the matters discussed by the governing body that may be potentially relevant to the audit. Our observations are documented in [Minutes Review](#), where we noted the following:

- Procurement - Purchases, there is an inherent risk the purchases were not procured properly
 - 2021

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- Board approved the purchase of new ambulance
 - Board approved the purchase of Stryker power cot system for \$48,000
- 2022
 - Board approved request for bids for a light chassis truck and purchased on for \$52,948.31
- Expenditures
 - We noted on several occasions the District's monthly expenditures were higher than normal. There is an inherent risk the purchases were not adequately supported, reviewed or approved.
- Payroll
 - We noted the Board approved 2021 contracts for the office manager and assistant chief. There is an inherent risk employee payments were not made in accordance with contracts.
 - We noted the board approved a 1.2% COLA for chief and assistant chief (2021). There is an inherent risk the COLAs were not applied correctly.
 - We noted in 2021 the Board decided not to use volunteer fire fighters anymore and approved hiring 4 temporary employees to fill those shifts. There is an inherent risk the District does not have a policy over temporary employees, they are not being paid in accordance with their contracts, and their pay is not adequately reviewed and approved.
- Sale of Asset
 - The Board approved the sale of an old engine to another fire district. There is an inherent risk the District did not get market value for the vehicle.

Compliance with Open Public Meetings Laws

During our review of minutes, we also evaluated compliance with Open Public Meetings requirements, as documented in the *Open Public Meetings* step in Baseline Testing, seen at [OPMA Compliance](#).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Planning Analytical Procedures

Prepared By: DW, 1/4/2024

Reviewed By: ACS, 1/9/2024

Purpose/Conclusion.*

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Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm by performing planning analytical procedures.

Conclusion:

Based on our planning analytical procedures, we noted **potential risks taken to the brainstorm for further consideration** AC Brainstorm and Audit Plan:

- Payroll - there is an inherent risk that payroll costs are not adequately supported, reviewed and approved
 - FY2021 - there was a 17% increase in salaries and wages between FY20 and FY21
 - FY2022 - there was a 74% increase in salaries and wages between FY21 and FY22
- Expenditures
 - Supplies - increased by \$26,496 between 20/21, there is an inherent risk these expenditures were not adequately supported, properly reviewed and approved per District policy
 - Services - increased by \$70,373 between 20/21, there is an inherent risk these expenditures were not adequately supported, properly reviewed and approved per District policy
 - Capital Outlay - increased by \$84,610 between 21/22, there is an inherent risk the underlying procurement did not comply with bid law.
- Credit Cards - there is an inherent risk the purchases are not adequately supported, properly reviewed and approved and don't represent actual District needs.
 - FY20 - the District spent \$45,214.50 on their business card
 - FY21 - the District spent \$54,912.69 on their business card
 - FY22 - the District spent \$41,600.20 on their business card
- Temporary Employees
 - FY22 - the District spent \$159,466.57 on temporary employees to cover for not using volunteers anymore. There is an inherent risk these employees pay was not adequately supported, properly reviewed and approved per District policy.

Testing Strategy:

Auditors are **required** to perform planning analytical procedures to identify risk. Procedures should include steps 1-2 of the *Financial Condition* step in Baseline Testing (evaluation of financial statements and ratios). Other procedures should be based on the entity's circumstances,

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activities and potential risks.

The following are **examples** of common planning analytical procedures:

- Trend analysis of revenues and expenditures

Auditors would generally start with high level analyticals (such as revenues by fund and 2-digit BARS or expenditures by fund and object) before considering more detailed trends (ie: to sub-account) for certain high risk funds or accounts.

- Total payments by vendor
- Total payroll by employee
- Trend payroll by department or type of pay (ex: overtime, recognition leave, time loss, exchange time, etc)
- Total amounts passing through petty cash funds, imprest accounts and/or credit cards
- Surprise cash counts

CAATS Considerations

When analytical procedures involve CAATS, the following documentation guidelines should be followed:

- Databases should not be included in TeamMate. Only relevant query results should be included in audit documentation. This can be done with imported report documents, copied query excerpts, narrative description of queries and results, or other means.
- When used as audit evidence, auditors should document where and how they obtained data and how they verified or were reasonably assured of the completeness and accuracy of the data.

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Planning AP differs from AP used as a substantive test in that the purpose of the procedure is discovery rather than substantiation. Although expectations of some sort are necessary for effective AP, expectations used for planning AP are often very general and do not need to be documented. Expectations may be derived from events or changes in activity noted during other planning steps, budgets, prior year figures, figures for comparable entities, or general understanding of relationships between activities and financial figures.

Accountability Audits Planning Guide

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Record of Work Done:

Note: Risks identified in planning do not indicate actual noncompliance. They are inherent risks taken to the brainstorm for further consideration. If selected for audit, we will perform testing and conclude on compliance during the fieldwork stage. Our audit report will list the areas selected for testing and our conclusions.

We are **required** to perform planning analytical procedures to identify risk, we performed the following procedures:

Payroll Trend

We obtained the District's expenditures from LGCS, seen at Revenue & Expenditure Trends and reviewed for increases in total payroll for all years in the audit period and noted the following:

- FY2021 - there was a 17% increase in salaries and wages between FY20 and FY21
- FY2022 - there was a 74% increase in salaries and wages between FY21 and FY22

For payroll costs, there is an inherent risk that payroll costs are not adequately supported, reviewed and approved.

Revenue Trend

We obtained the District's revenues from LGCS, seen on the Revenue tab at Revenue & Expenditure Trends and reviewed for increases and decreases for all years in the audit period but did not note any risks to bring forward to our brainstorm.

Expenditure Trend

We obtained the District's expenditures from LGCS, seen on the workpaper referenced above and noted the following:

- Supplies - increased by \$26,496 between 20/21, there is an inherent risk these expenditures were not adequately supported, properly reviewed and approved per District policy
- Services - increased by \$70,373 between 20/21, there is an inherent risk these expenditures were not adequately supported, properly reviewed and approved per District policy
- Capital Outlay - increased by \$84,610 between 21/22, there is an inherent risk the underlying procurement did not comply with bid law.

We used the Expenditure by Vendor report submitted with the District's Schedule 22 and identified the following:

- Credit Cards - there is an inherent risk the purchases are not adequately supported, properly reviewed and approved and don't represent actual District needs.
 - FY20 - the District spent \$45,214.50 on their business card
 - FY21 - the District spent \$54,912.69 on their business card
 - FY22 - the District spent \$41,600.20 on their business card
- Temporary Employees

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- FY22 - the District spent \$159,466.57 on temporary employees to cover for not using volunteers anymore. There is an inherent risk these employees pay was not adequately supported, properly reviewed and approved per District policy.

Financial Condition

We performed an initial quantitative analysis of financial condition as documented in the *Financial Condition* step in Baseline Testing. Based on this initial review, documented at [FinancialIntelligenceTool](#). During our review, we noted the Operating Margin, Change in Cash Position and Debt Load percentages did not meet FIT guidelines, however during our minutes review and review and other planning steps we found that the District paid off debt which would impact the ratios. Based on this further understanding we identified **no** potential risks to consider for further procedures in the brainstorm.

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: Risk Assessment Inquiry

Prepared By: DW, 1/17/2024

Reviewed By: ACS, 1/17/2024

Purpose/Conclusion.:

Purpose:

To identify potential accountability risks to consider in the planning conference brainstorm from inquiry with management.

Conclusion:

Based on our inquiry, we noted **no risk indicators**

Testing Strategy.:

Auditors are **required** to use the attached workpaper to inquire with the following key personnel, at minimum:

- Appropriate members of management with overall responsibility for financial and operational matters.

Generally, this will be the chief executive officer (e.g.city manager, mayor, superintendent) and the chief financial officer (e.g. finance officer, business manager, clerk/treasurer). But it may be or include deputy officers or members of the governing body depending on the structure of responsibilities and oversight or due to potential conflicts of interest or lack of segregation of duties. Auditors need to use

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professional judgment to determine the appropriate persons to communicate with depending on the circumstances.

- A member of the governing body or audit committee, as applicable.
- Internal audit personnel, if applicable

Also **consider** inquiries of others.

For example, the human resource manager, key accounting staff, facility manager, prosecuting attorney or managers responsible for operation of significant components or functions of the government. Also, consider talking with employees who may be able to corroborate information from management or others.

Inquiry should be performed using the following **guidelines**:

- Inquiry should be done in person whenever possible, rather than by phone or email.
- Due to the potential sensitivity of certain questions, auditors should be careful to ask them in a professional manner.
- The inquiry should be a conversation - auditors should be prepared to explain terms, rephrase questions in their own words and ask follow-up questions.

Auditors should be prepared to prompt the auditee with follow-up questions regarding potential risks described in the planning guide, identified in prior audits or identified in other planning steps.

- The workpaper describes the minimum extent of the inquiry as a whole, although not every question will be applicable to every person interviewed. Also, auditors should consider additional questions about identified risks or controls as necessary.

Document response details in the attachment and a summary of procedures, results and conclusions about audit-relevant risks in the step.

When performing inquiries and evaluating responses, auditors should specifically consider:

- Whether responses generally agree with each other, and what any significant differences between the responses may imply (other than normal expected differences in opinion or perspective among professionals).
- Whether responses generally agree with other planning information and risk assessment conclusions of the audit, and what any significant differences may imply.
- Whether any responses indicate potential management override of controls or fraud, or any new risks that might need specific follow-up in planning.
- Whether any management communications, assessments or action taken in response to risks that were discussed in the inquiry might represent useful documentation or evidence for audit work.

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- Whether management has planned or taken appropriate action for risks they have identified. And if not, the reasons for not doing so (ex: insufficient resources or other limitations, lack of consensus within the government, operational difficulties, etc).

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [4110](#) - Objectives and Authority for Accountability Audits

[Accountability Audits](#) Planning Guide

Record of Work Done:

Governments are required by state law (RCW 43.09.185) to report to our office any known or suspected loss of public funds or assets or other illegal acts. Citizens and employees may also contact our Office's citizen hotline to report known or suspected fraud or abuse. We reviewed loss reporting and citizen hotlines as documented in the *Other Engagements & FAWF* step.

In addition, we performed formal inquiries with key personal regarding the government's understanding and assertions about their risks and responses as follows:

Risk Assessment Inquiry

Based on our understanding of the government, consideration of appropriate persons and other planning procedures, we determined that formal risk assessment inquiries would be conducted with the following people, documented at [Risk Assessment Inquiry Questions](#):

- Clint Volk, Fire Chief
- Heather Fredrickson, Office Manager
- Troy Woodard, Commissioner, Chair

We evaluated responses individually, compared to each other, and compared to results of other planning steps in order to conclude on risks. We identified no risks to bring forward to our brainstorm.

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Evaluation of Controls

Our evaluation of risk assessment as a control is documented in the *Entity-Level Controls* step in the permanent file folder.

B.1.PR.G - Accountability Planning - Local Govt

Procedure Step: AC Brainstorm

Prepared By: DW, 1/17/2024

Reviewed By: ACS, 1/23/2024

Purpose/Conclusion:

Purpose:

To discuss and evaluate accountability risks among key members of the audit team in order to develop the overall audit strategy.

Conclusion:

The audit team has evaluated the risks and developed the overall audit strategy. During the course of our brainstorm, we noted **no new risk indicators**.

Testing Strategy:

Auditors are **required** to perform all the following steps:

Brainstorming Discussion (Planning Conference)

The AIC should hold a planning conference brainstorm with key members of the audit team.

To allow the brainstorming process to effectively evaluate and finalize scope decisions and design further audit procedures, auditors should strive for the following best practices:

- Brainstorming should be done prior to starting audit testing. *As needed for scheduling efficiency, the team may start work on baseline testing or other areas where planned work is relatively certain.*

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- All planning steps should be completed and reviewed prior to brainstorm. *If waiting for planning to be complete would render the brainstorm untimely, teams may hold multiple brainstorms. For example, a brainstorm for interim work with a later brainstorm for the final plan; or a brainstorm to confirm a few areas for the team to start working on with a follow-up brainstorm later to conclude on the rest of the plan; or a regular brainstorm that defers discussion on a major contingency or area to a later time.*
- All risk indicators (planning step conclusions) should be documented in the AC Brainstorm and Audit Plan workpaper. *Teams may use the optional template in the Store or their own version.*
- The AIC should be prepared with a draft audit plan and budget.
- The planning conference brainstorm should take place in person, over Teams, or on the phone to ensure opportunity for dialog.
- Use professional judgment in determining which audit team members should be included in the discussion. The brainstorm should include, at minimum, the key members of the audit team. Normally, this would be the AIC, Supervisor and Audit Manager. This could also include other members of the current audit team, member of the team that performed the CPA Review, the prior AIC, subject matter experts, program manager or others. Managers should consider the experience of the AIC and Supervisor and the size and risk of the audit in determining who should attend and the timing and extent of brainstorming discussion.

At a minimum, the discussion is **required** to include the following topics:

Understanding of Entity:

Consider how our understanding of the entity, its environment and its operations might affect and inform our accountability audit. What types of risks are most important to address? What areas are most susceptible to fraud, loss, abuse or noncompliance? Are there any significant systems that haven't been reviewed in the last 3-4 years or our understanding needs to be updated?

Other Audits:

Consider the scope and results of financial or single audits performed by SAO or external CPA firms and how these audits might affect and inform our accountability audit. Were there indications of risk that we should consider in our accountability audit? Was there work performed in other audits that would address accountability areas?

Results of Planning Steps:

Review the results of planning procedures. Does planning indicate a low, moderate or high risk audit?

Risk indicators:

Discuss each risk indicator identified by planning and consider the need for further audit procedures.

Results of Analytical Procedures:

Discuss risk indicators or unexpected relationships noted in planning analytical procedures. Do any unusual or unexpected relationships

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identified indicate risks of fraud, loss, abuse, noncompliance or financial distress?

Other Information and Experience:

Discuss any major changes occurred; any unusual events or transactions identified. Does any other information or experience with the entity indicate risks of fraud, loss, abuse or noncompliance?

Responses to Audit Risks:

Determine the best way to respond to identified risks. Consider the relevance and potential impact of the risks identified, as well as necessary resources.

Importance of maintaining professional skepticism:

Supervisors should emphasize the need to maintain professional skepticism throughout the audit and highlight any areas of potential concern or where special care or consideration may be needed.

Discussion among the engagement team about risks should continue throughout the audit. Auditors do not need to document every discussion, but should consider documenting any additional key brainstorming discussions, particularly if there were major re-evaluations or updates to the audit plan.

Follow up with other members of audit team

The AIC should communicate relevant matters as necessary with other members of the engagement team that were not involved in the brainstorming discussion. This should occur throughout the audit as needed if team members or assignments change.

Communicate risks or information relevant to other SAO audits

The AIC should also appropriately communicate relevant information or risks affecting a different type of engagement (for example, a financial statement audit), a future engagement, an engagement of another local government or state agency. AICs should consult with their manager and Assistant Director on any matters that may need to be communicated with external parties, such as regulatory bodies or law enforcement.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

[Accountability Audits](#) Planning Guide

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Record of Work Done:

Brainstorm

Date: January 17, 2024

How: discussion among key members of the engagement team via Teams video conference

Attendees:

- Danae Welty, AIC
- Amy Strzalka, Program Manager

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
- Relevant work performed in other audits
- Results of planning steps, including:
 - All risk indicators identified in other planning steps
 - Results of analytical procedures
 - Other information and experience with the entity
- Audit responses to risks, including:
 - Planned audit areas and priorities
 - Audit approach and budget for selected audit areas
 - Overall audit budget, staffing and scheduling
- Importance of maintaining a questioning mind and exercising professional skepticism

Decisions Reached:

The list of identified risks discussed, along with conclusions about overall risk for the audit, which risks will be addressed by the audit, and planned audit responses, are documented in the AC Brainstorm and Audit Plan workpaper, seen at [AC Brainstorm and Audit Plan](#).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Audit Plan

Mason County Fire Protection District No. 6

Prepared By: DW, 1/17/2024

Reviewed By: ACS, 1/23/2024

Purpose/Conclusion:

Purpose:

To finalize our overall audit strategy and audit plan to address identified risks in the accountability audit.

Conclusion:

See documented plan in the *Record of Work Done* and attached Accountability Audit Plan.

Testing Strategy:

Overall Accountability Risk

Assess overall risk for safeguarding of public resources and compliance. Planning should reflect the overall risk assessment in staffing, supervision, audit budget and the overall level of testing.

When determining overall risk, auditors should consider the number and nature of risk indicators identified in planning. Auditors should also consider any structural risks that could potentially affect many audit areas, such as:

- *Issues with entity-level controls, such as the control environment or information systems*
- *Use of the County Treasurer*
- *Ability to segregate duties effectively*
- *Major financial distress*

Select Areas to Test

Identify accountability areas selected for testing. The plan should describe each risk selected for testing (what could go wrong) and our planned audit response (further audit procedures).

Documentation:

1. On the brainstorm tab, mark which risks are intended to be addressed by the audit plan.
2. Identified risks on the brainstorm tab may need to be consolidated, split, summarized or expanded when developing the audit plan. Use the priority number on each tab to show how the selected risks relate to planned audit areas.
3. Planned audit areas should be titled and referenced to allow for a clear tracing to the budget and audit documentation.
4. Planned audit areas should be prioritized according to risk.

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Changes to Audit Plan:

Document both the original plan and any changes made during the course of the audit. Document changes to the original plan in either the "Changes to Audit Plan" step or in the Audit Plan (for example, by adding a column to describe changes, using a different font color or highlighting for changes or listing new areas in a separate section underneath the original plan). For changes that result in a new engagement letter or addendum in accordance with policy 2140 and 1220, refer to the Engagement Letter step in Teammate.

Determine Staffing & Budget

Staffing

Identify the AIC and AAM of the audit in the Team tab of the Profile, considering the knowledge, skill, and ability of personnel assigned significant audit responsibilities and the appropriate level of supervision.

Determine whether assigned staff are independent with respect to the entity under audit and identify any threats to independence along with planned safeguards (Policy 3110). Also, consider whether assigned staff collectively possesses adequate professional competence for the tasks required (Policy 3140). If the audit will require the use of a specialist with expertise in a field other than accounting or auditing (Policy 3230), describe the planned nature and extent of reliance.

Reliance on Work of Others or in Other Audits

If work of external auditors (Policy 3510), internal auditors (Policy 3520) or in other SAO audits is expected to be used as audit evidence in an area planned for testing (that is, more than just risk assessment information used to select or not select an area for testing or follow-up), the plan should describe the anticipated nature of this reliance.

Budget

Develop a detailed audit budget, considering risks, staffing and other circumstances. Initial budget information is available in TABS. Inform your supervisor and audit manager if TABS is not correct so that changes can be requested.

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Accountability Audits Planning Guide

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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 AC Brainstorm and Audit Plan spreadsheet seen at [AC Brainstorm and 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 also considered whether specialized skills are needed in performing the audit and determined that assigned personnel collectively have the technical knowledge, skills and experience necessary to perform the audit.

Independence - We considered independence in accordance with Audit Policy 3110 and 3120 and identified **no** threats to independence.

Reliance on work of others - We considered the potential relevance of work performed in other engagements and the effect on our audit. We **do not** plan to rely on other SAO audits or work of others as audit evidence in any planned areas of testing.

Budget - We developed a detailed audit budget as documented in [Budget Template](#).

B.1.PRG - Accountability Planning - Local Govt

Procedure Step: AC Entrance Conference

Prepared By: DW, 1/23/2024

Reviewed By: ACS, 1/24/2024

Purpose/Conclusion.

Purpose / Conclusion:

To communicate our audit responsibilities and the planned scope and timing of the engagement to management and the governing body.

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Testing Strategy:

The following procedures are **required** to clearly communicate the audit with management and the governing body:

BEFORE the Entrance Conference:

- If not clearly evident from the governance structure, determine "management" and "those charged with governance" for purposes of audit communication and document our conclusion.

Those charged with governance are those responsible for overseeing the strategic direction of the government and fulfillment of the government's objectives and obligations. In some governments, multiple parties may be charged with governance, including oversight bodies contracting for the audit, members or staff of legislative committees, boards or audit committees. The auditor's evaluation would consider how the government delegates authority and establishes accountability for management.

- Communicate with the liaison on entrance conference logistics, such as the best time and place for the meeting, who to invite, and how to communicate invitations.
- Invite all members of the governing body (or audit committee) and appropriate members of management and others using the template email available in the TeamStore.

Note: if a quorum of governing body members wish to attend, we must hold it in an open public meeting; alert your Assistant Director to these situations. If management and/or the governing body do not wish to meet or are otherwise unable to meet, then the audit team should consider the adequacy of communication with management and the governing body, and hold the conference with at least the liaison.

- Prepare the Entrance conference handout the using the required template available in the TeamStore and the [Entrance Conference PowerPoint](#) using the linked template (also available in the Auditor Reference Guide). Both templates must be adjusted as necessary for each audit.
- Plan the presentation by considering who will attend from SAO, who will present each section, and what level of detail is needed for discussion of each topic.

DURING the Entrance Conference:

Present and discuss all topics on the entrance conference handout, including all the topics described in Policy 2210, as applicable.

AFTER the Entrance Conference:

- Document conference attendees (SAO and client), date, and location.

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- Send copies of the entrance conference packet to any management and governing body members who were invited but were unable to attend. Use the template email available in the TeamStore (Audit Entrance Conference Held).
- Include the entrance conference packet in the AS2: Communications folder. Also include the email correspondence for invitations and copies to those who did not attend.

Note: when using the entrance conference PowerPoint presentation, attach as a PDF file to minimize file size.

- Document any significant conversations that might result in a change in our risk assessment or audit plan.

Guidance/Criteria.ʹ

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [2130](#) - Inviting Officials to Entrance and Exit Conferences

SAO Audit Policy [2210](#) - Conducting Entrance Conferences

[Delivering Successful Entrance and Exit Conferences](#) training

Record of Work Done.ʹ

To clearly communicate the audit with management and the governing body, we performed the following **required** procedures:

Invitations:

Invitations were sent to the Commissioners and District staff at [SENT_Audit Entrance Invitation](#)

Entrance Conference:

The entrance conference handout is documented at [Entrance Conference](#). The following people attended the official entrance conference on January 23, 2024 via Teams, held in accordance with Audit Policy 2210:

- Danae Welty, AIC
- Amy Strzalka, Program Manager
- Heather Fredrickson, Office Manager
- Clint Vold, Fire Chief

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- Troy Woodard, Commissioner, Chair

We discussed all the topics shown in the Entrance Conference Packet, seen at [Mason Fire 6 Entrance Packet](#) and in the PP at [Entrance Conference Powerpoint](#).

We also sent copies of the entrance conference handout to those not in attendance, as detailed in [SENT Audit Entrance Conference Held](#).

C.1.PR.G - Concluding Accountability Audit Procedures

Procedure Step: Prior Findings - Local Govt

Prepared By: DW, 2/14/2024

Reviewed By: ACS, 2/14/2024

Purpose/Conclusion:

*** Use this step ONLY for Local Governments * This step is only applicable if findings were reported in the previous accountability audit (including findings reported in the prior Summary Schedule of Prior Audit Findings that were not listed as "fully corrected" or "no longer valid")**

Purpose:

To complete and evaluate the Summary Schedule of Prior Audit Findings for the audit report.

Conclusion:

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior accountability audit findings for follow-up.

Testing Strategy:

The following procedures are **required** to complete and evaluate the Summary Schedule of Prior Audit Findings for local government accountability audits, if applicable:

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- Identify all prior audit findings and link to where follow-up work was documented in TeamMate. Normally, follow-up work will be a planned audit area that can be referenced. However, procedures may be documented in this step if follow-up work was not performed elsewhere or if additional procedures are needed to verify a particular assertion in the description of the status provided by the entity.
- Use the template provided in TeamMate (Audit Administration | Wrap Up) or ORCA to draft the schedule, excluding the corrective action and status sections which are prepared by the entity.
- Use the template provided in TeamMate (Audit Administration | Wrap Up) to request the auditee complete the schedule with the status and description of corrective action **on their own letterhead (preferably in Word)**.
- Review the status and description of corrective action provided by the auditee and compare it with the results of follow-up work. If information is misleading or inaccurate, request the auditee modify the information. If the auditee refuses to correct the inaccurate information, contact your Assistant Director and TAS to determine whether to report this as a finding.

*Definitions for each status are listed in Tracker and the ARS Manual Part 5, Chapter 4. When evaluating the reported status, auditors should **consider**:*

- *To what extent does the previous condition continue to exist?*
 - *What actions were taken by the government and what remedial effect (if any) did they have on the condition?*
 - *Whether the condition or recommendation is repeated in part or whole as part of the current audit. Note: prior audit findings that are not corrected or partially corrected would imply the need to re-issue the finding in the current audit.*
 - *In situations where a prior audit finding is not re-issued, there may still be issues or control deficiencies that are communicated as management letters or exit items. However, the finding-level issues would be considered fully corrected for purposes of the schedule.*
- Upload the completed schedule to the Audit Review Library along with your audit report
 - Update the Audit Status in Tracker for each prior audit finding and management letter with the verified status of the issue and the number of consecutive years it has been repeated at that reporting level.

If the Entity Reported Status has changed upon audit, auditors should encourage the client to update it by copying the description in the schedule or including an abbreviated or expanded version. However, it is not the auditor's responsibility to ensure it is updated if the client does not take this opportunity.

Guidance/Criteria.:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

ARS Manual [Part 5, Chapter 4](#) - describes requirements for the Summary Schedule of Prior Audit Findings

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[Tracker Quick Reference Guide](#) - provides auditor instructions about updating Tracker

Record of Work Done.:

The Summary Schedule of Prior Audit Findings is not applicable; there are no prior accountability audit findings for follow-up.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: Changes to AC Audit Plan

Prepared By: DW, 2/14/2024

Reviewed By: ACS, 2/14/2024

Purpose/Conclusion.:

Purpose:

To document changes in the audit plan and determine whether changes caused audit objectives not to be met.

Conclusion:

No changes were necessary to the audit plan.

Testing Strategy.:

To evaluate any changes to the original plan, auditors are **required** to:

- Document any changes to the original audit plan.

Changes made during the course of the audit should be differentiated from the original audit plan. These changes may be documented in the Record of Work Done below or as part of the original audit plan (ex: using a different [font color](#) or listing the changes in a separate section of the original plan). For changes that result in a new engagement letter or addendum in accordance with policy 2140 and 1220, refer to the Engagement Letter step in Teammate.

- Determine whether changes to the original audit plan support audit objectives.

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Auditors should consider:

- *Possibility for a significant issue in any areas not completed*
- *Sufficiency of procedures to conclude on the existence and extent of any significant issues in areas where exceptions or new risk information was noted*
- *Any needs for an unplanned area to be tested based on new risk information gained during the course of the audit*

In making this determination, the lack of budget would not be a valid reason for dropping a planned area. Rather, the team must either conclude that the likelihood of a significant issue is reasonably low, or - if team management determines that more work may be necessary to achieve the audit objectives - the budget should be adjusted in accordance with requirements of Audit Policy 1220 as necessary.

Audit risk for certain areas may be able to be addressed through other engagements or mitigated through further inquiries or reporting the potential risk to the government and recommending internal review or other follow-up.

Auditors should consider whether permanent file information needs to be updated to capture any significant new information discovered during the course of the audit.

If the audit is **terminated** before completion, auditors should follow Audit Policy 1220 and document the work done, the decision and reason for termination, and any communications.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [1220](#) - Engagement Cost Management

[Accountability Audits](#) area guide

Record of Work Done:

We continued to consider planning decisions throughout the audit based on conditions encountered, test results, and additional information obtained. Our continuing consideration included re-evaluation of:

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- Identified risks
- Planned audit areas
- Staffing and independence
- Other elements of our overall audit strategy, such as scope and needed resources

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

C.1.PR.G - Concluding Accountability Audit Procedures

Procedure Step: AC Summary & Report

Prepared By: DW, 2/14/2024

Reviewed By: ACS, 2/14/2024

Purpose/Conclusion:

Purpose/Conclusion:

To ensure (1) audit evidence is sufficient and appropriate to support our accountability report and (2) determine audit results to be included in our report as detailed in the Record of Work Done.

Testing Strategy:

Auditors are **required** to perform the following procedures to determine results to be included in our report:

(1) Evaluation of Evidence Obtained

- **Completion of work:** Check that all work supporting the report is completed and reviewed prior to the date of our report. This includes any referenced work documented in other audits or sections.
- **Identified risks:** Determine whether risks identified in planning and during the audit were adequately addressed.
- **Evidence:** Determine whether documented procedures and results provided sufficient and appropriate evidence to support our report.

"Sufficient" refers to the amount of evidence obtained; "appropriate" refers to the quality of the evidence; "quality" refers to applicability of the evidence to the audit objective.

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If evidence is not sufficient or of an appropriate quality to conclude on a particular area, the auditor should perform further tests or procedures to obtain the necessary evidence.

- **Communication with the Governing Body:** Evaluate whether two-way communication with those charged with governance has been adequate for the purpose of the audit.

The objective of this evaluation is to consider whether we have all the information we need from the governing body before issuing the report. While an exit conference (or planned exit conference) may be necessary in some circumstances to obtain or confirm views of the governing body, the auditor may conclude that communication is adequate and the report may be issued prior to the exit conference. In evaluating communication, auditors should consider:

- *Whether the audit results in findings or there were difficulties or disagreements during the course of the audit that necessitate specific communication with the governing body*
- *Whether the views of the governing body are important to any key audit evidence*
- *The apparent awareness and understanding of the governing body to any critical issues or business risks identified by the audit*
- *The apparent openness of the governing body in their communications with auditors and their willingness and ability to meet with auditors*
- *The apparent level of communication by management with the governing body regarding the audit*
- *Whether any members of the governing body have expressed interest or concern about any audit areas or issues*

(2) Accountability Report

- Determine the reporting level of any issues.
- Check the Description of Government section with the liaison and work with your manager on any questions about necessary report content.

(3) Report Preparation & Distribution

- Route Findings and Management Letters to the appropriate personnel.
- Prepare the draft report using ORCA and the ARS manual.
- Review report distribution in ORCA to ensure standard distribution and distribution to any additional parties that may need to be informed.

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- Consider whether any direct communication or coordination with external parties might be necessary regarding known or suspected fraud or noncompliance. If so, discuss the matter with the Assistant Director in accordance with Policy 1410 or 6320 and document any such communications.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [4410](#) – Accountability Reporting

SAO Audit Policy [2310](#) – Reporting Identified Audit Issues

[Audit Reporting Standards Manual](#) (ARS) - refer to ARS manual for details regarding audit report contents and preparation

Record of Work Done:

We performed the following **required** procedures to determine results to be included in our report:

(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 accountability work was complete.
- **Identified risks:** checked that risks identified in planning were adequately addressed.
- **Evidence:** considered quality and amount of documented 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 issues in the attached LOR Summary, seen at [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.

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(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
- 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.
- We determined that no special communication directly to external parties was needed in connection with any of these matters (beyond standard distribution of our publicly available report).

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

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. 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.

C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Letter of Representation

Prepared By: DW, 2/20/2024

Reviewed By: ACS, 2/22/2024

Purpose/Conclusion.*

Purpose:

To confirm the continuing applicability of management's explicit or implicit representations and reduce the possibility of misunderstanding.

Conclusion:

Entity management provided a signed letter with all appropriate representations.

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Testing Strategy:

Auditors must either (A) obtain and review the representation letter on the report date or (B) confirm with management on or before the report date that the representation letter will be signed without exception, in which case the letter may be obtained and reviewed any time before report issuance.

STEP 1: Identify necessary representations

Using the Representation letter template located in the TeamStore (Audit Administration | Audit Wrap-Up folder), determine the applicable written representations needed from management for all periods covered by our audit report. Auditors should use one of the following templates:

- **GAAP** – use for all GAAP presentations (including ESDs and GAAP basis school districts)
- **BARS Cash Basis** – use for all governments that are reporting on a BARS Cash Basis or that do not prepare financial statements.
- **School F196** – use for all school districts that report using the F196 on a cash or modified accrual basis.

The template should be modified as needed to reflect the audit scope and situation.

The "general representations" section should be included in all situations; other sections should be deleted if unneeded. For example, auditors should delete the "additional representations related to the financial statements" section if a financial statement audit is not done or when issuing an opinion on single audit work at a later date than the financial statement opinion.

Consider whether any additional representations need to be obtained beyond the standard representations included in the template and modify the template as needed. A list of common additional representations is located on the Auditor Reference Guide [here](#). Contact TAS if you need assistance regarding any additional representations that may be needed.

STEP 2: Request letter of representation

Auditors should request the letter of representation using the email template located in the TeamStore. Be sure to add your formal signature to the bottom of the email prior to sending. Since representations include reference to uncorrected misstatements (if any), the auditor's final list of uncorrected misstatements should either be included in the letter or attached.

If an updated letter is needed, auditors may either request a new letter of representation with the correct date or may request an updating letter which refers to the original letter of representation.

STEP 3: Review representations

Obtain and review the representation letter to ensure:

- All representations were properly made and are consistent with expectations
- It is dated as of our report date
- It is signed by appropriate members of current management.

The representation letter must be dated as of the report date. However, the letter may be received after the report date so long as it is

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obtained before issuing the report.

The letter should be signed by members of management with overall responsibility of financial and operating matters who are responsible and knowledgeable about, directly or through others in the entity, the matters covered in the representations. Generally, the letter is signed by the chief executive officer (e.g. city manager, mayor, superintendent) and the chief financial officer (e.g. finance officer, business manager, clerk/treasurer).

When such persons were not present during all periods referred to in the letter, they may claim they are not in a position to provide some or all of the representations. This fact, however, does not diminish management's responsibilities and would not be a reason for the auditor to accept this risk or responsibility.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3420](#) - Management Representation Letters

Record of Work Done:

To confirm management's representations, we performed the following **required** procedures:

STEP 1:

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

STEP 2:

We requested management representations as detailed in [SENT_Audit Request Management Representation Letter](#).

STEP 3:

We obtained the representation letter, seen at [SIGNED_Rep 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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C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Exit Conference

Prepared By: DW, 2/22/2024

Reviewed By: ACS, 2/22/2024

Purpose/Conclusion:

Purpose / Conclusion:

To communicate the results of our audit with management and those charged with governance.

Testing Strategy:

The following procedures are **required** to clearly communicate audit results with management and the governing body:

Pre-Exit Meetings:

If pre-exit or departmental exit conferences are held, the official handout (if any) should be attached in AS2 and the meeting documented in this step. Handouts for pre-exit or departmental exit meetings should be clearly labeled to distinguish them from the official exit conference.

BEFORE the Exit Conference:

- Communicate with the liaison on exit conference logistics, such as the best time and place for the meeting, who to invite, and how to communicate invitations.
- Invite all members of the governing body (or audit committee) and appropriate members of management and others using the email template available in the TeamStore (Audit Exit Invitation).

Note: if a quorum of governing body members wish to attend, we must hold it in an open public meeting; alert your Assistant Director to these situations. If management and/or the governing body do not wish to meet or are otherwise unable to meet, then the team should consider the adequacy of communication with management and the governing body, and hold the conference with at least the liaison.

- Prepare the exit conference document using the template available in the TeamStore and the [Exit Conference PowerPoint](#) using the linked template (also available in the Auditor Reference Guide).

Note: management letter, finding and status of prior audit finding templates are available in the TeamStore, if needed.

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- Prepare the draft audit report(s) for presentation at the exit conference.
- Prepare a separate handout for exit items and share these items with management prior to the exit conference along with any draft management letter or finding issues (for example, at a pre-exit meeting).

Exit items are referenced, but not included, in the exit conference document. Auditors should bring the handout to the exit and be prepared to discuss exit items if requested.

***NOTE:** Communication of IT security matters are highly sensitive, Washington OCIO [category 3](#) information. Please mark IT Security exceptions in TeamMate with **"This record contains information considered exempt from public disclosure under RCW 42.56.420 of the Public Records Act. As such, distribution of this record is limited."** IT security details should never be sent via Email.*

***Recommendation Review Requirement** - IT Security related information, that an external party may use to manipulate the government's system or security-related procedures, is protected by Public Request Exemption RCW 42.56.420. All IT security-related recommendations must be reviewed by [Team IT Audit. IT Recommendation Procedures](#) are located in Team IT Audit's Support Workgroup folder. Template language for common IT related recommendations can also be found in the [ARS manual Part 5 Chapter 8](#).*

For financial statement audits, print a schedule of uncorrected misstatements from the Aggregation of Misstatements spreadsheet to attach to the exit handout. Also attach a copy of the Management Representation Letter.

- Plan the presentation of audit results by considering who will attend from SAO, who will present each section, and what level of detail is needed for discussion of each topic.

DURING the Exit Conference:

Present and discuss all topics on the exit conference handout. The conference must include discussion of significant audit results, including all the topics described in Policy 2220, as applicable.

AFTER the Exit Conference:

- Document conference attendees (SAO and entity), date, and location.
- Send copies of the exit conference packet to any management or governing body members who were invited but were unable to attend. Use the template email available in the TeamStore (Audit Exit Conference Held).

Note: as a best practice, merge all documents into a single PDF file for the email.

- Include the exit conference packet, including the exit document, report draft, attachments, and handout of exit items and management letters in the AS2: Communications folder. Also include the email correspondence for invitations and copies to those who did not attend.

Note: when using the PowerPoint presentation, attach as a PDF file to minimize file size.

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- Ensure that issues documented in TeamMate match the official handout of exit items, management letter and findings, as applicable.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [2130](#) - Inviting Officials to Entrance and Exit Conferences

SAO Audit Policy [2220](#) - Conducting Exit Conferences

[Delivering Successful Entrance and Exit Conferences](#) training

Record of Work Done:

To clearly communicate audit results with management and the governing body, we performed the following **required** procedures:

Invitations:

We worked with Heather Fredrickson, Office Manager, to invite District staff and Commissioners to the meeting, documented at [SENT_FW Audit Exit Invitation](#)

Exit Conference:

The exit conference handout is documented at [Exit Conference](#). The following people attended the official exit conference on February 22, 2024 held virtually via Teams, which was held in accordance with Audit Policy 2220:

- Danae Welty, AIC
- Amy Strzalka, PM
- Heather Fredrickson, Office Manager
- Cody Daggett, Assistant Fire Chief

We discussed all the topics shown on the exit conference packet, seen at [Exit Packet_Mason Fire 6](#) and using the PowerPoint at [Exit Conference Powerpoint](#).

We also sent copies of the exit conference packet to the Board of Commissioners, as detailed in [SENT_Audit Exit Conference Held](#)

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C.1.PRG - Concluding Accountability Audit Procedures

Procedure Step: AC Quality Control Assurance Certification

Prepared By: DW, 2/22/2024

Reviewed By: ACS, 2/22/2024

Purpose/Conclusion.

Purpose / Conclusion:

To review and certify adherence to applicable audit standards and policy with regard to the Accountability audit.

Testing Strategy.

This step should be signed-off by the Auditor-in-Charge, the Assistant Audit Manager, and the Audit Manager. The Quality Control Assurance Certification should be signed-off **before** the Accountability audit report is issued.

If a requirement does not apply, it should be noted on the certification. If a requirement was not met an explanation needs to be documented and approved by the Audit Manager. No other modifications to the form should be made. It is not necessary to reference applicable sections of the certification to the audit documentation.

Guidance/Criteria.

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [3430](#) – Quality Control Assurance Certification

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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).
10. Adequate communication with management and the governing body occurred prior to issuance of the report, including all information required to be discussed by Audit Policies 2120, 2210 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).

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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 requested approval for audit budget changes from the Director 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 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.

C.2.PRG - Baseline Testing

Procedure Step: OPMA Compliance

Prepared By: DW, 1/21/2024

Reviewed By: ACS, 1/23/2024

Purpose/Conclusion:

Purpose:

To determine whether the government complied with Open Public Meetings Act requirements.

Conclusion:

We noted **no** instances of non-compliance.

Testing Strategy:

To evaluate compliance with Open Public Meetings Act requirements, auditors are **required** to perform the following steps in conjunction with the review of minutes in planning. For all meeting minutes reviewed, auditors should be alert for:

- Quorum of governing body members was present

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- Expected or known actions and decisions appear to be documented in the minutes. For example: approval of minutes, or approval of claims and payroll, or passage of ordinances.
- Purpose of executive sessions is identified in the minutes and is allowable.
- Executive session start time, estimated time originally announced, any extensions and end time is recorded in the minutes.
 - Official decisions are recorded in the minutes.
 - Business conducted at special meetings appears to be for the reason the meeting was scheduled.
 - Undocumented meetings, such as gaps in records of regular meetings, or references to workshops or special meetings that do not have minutes.
 - Undocumented actions or decisions, or actions taken outside of public meeting.

If risks or issues were identified during the planning phase of the audit, auditors should **consider** additional procedures, such as:

- Following up on indications of undocumented minutes or actions with inquiry and other procedures. For example, this could include clarifying delegated authority, tracing decisions such as bid acceptance, policy updates, etc. from source documents to meeting minutes, or asking the entity to point out where in the minutes a certain action was taken.
- Expanding documentation to specifically track quorums, certain approvals or other compliance matters.
- Understanding procedures and reviewing documentation to determine whether minutes were recorded promptly and made available to the public.

Note: there is no definition of the word "promptly" as used in RCW 42.32.035. AGO staff have advised our Office in the past that minutes should be approved at the next meeting. Any delay in approving minutes at the next meeting must be reasonable under the facts and circumstances. Auditors should also consider if the government's policies specify a time requirement or process for approving minutes.

- Following up on potential violations of public notice requirements, such as posting online the agenda at least 24 hours prior to the meeting, or notices for special meetings, or adjournment/continuance of a meeting to a different time and place.
- Confirming that the time and place for regular meetings matches the governing body's adopted ordinance or rule.
- Understanding procedures and reviewing documentation for posting agendas or notices for special meetings. Auditors may also observe timely posting for any meetings occurring during the audit period.
 - If there are procedural questions related to the conduct of executive sessions, voting or the accuracy of minutes, auditors could review video or audio recordings of meetings if available, attend a meeting to observe, or inquire with governing body members.

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Guidance/Criteria:

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

RCW [42.30](#) Open Public Meetings Act

- **RCW 42.32.035** - Minutes required
- **RCW 42.30.077** - Agendas required to be posted online
- **RCW 42.30.080** - Special meeting requirements
- **RCW 42.30.110** - Executive session requirements

Record of Work Done:

We reviewed governing body meeting minutes from the beginning of the audit period to current 8/15/2023 as documented at [Minutes Review](#). For each meeting, we were alert for indications of undocumented meetings or actions, unallowable executive sessions, and other compliance violations.

Based on our review, we noted **no** exceptions.

C.2.PRG - Baseline Testing

Procedure Step: Financial Condition

Prepared By: DW, 1/21/2024

Reviewed By: ACS, 1/23/2024

Purpose/Conclusion:

NOTE: Steps 1-2 should be completed as part of planning analytical procedures for either financial or accountability audits.

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Purpose:

To evaluate the government's financial condition and sustainability.

Conclusion:

We identified **no** financial condition or sustainability issues.

Testing Strategy:

To evaluate the government's financial condition and sustainability, auditors should consider the following procedures:

STEP 1: Evaluate financial statements and ratios as indicators of potential issues.

For GAAP entities, auditors should use the "Financial Condition Analysis (GAAP)" or "Financial Condition Analysis (GAAP enterprise)" template available in the Team Store. Use the summary tab of the template to manually input figures from the financial statements.

For BARS cash basis entities, the "Financial Intelligence Tool (FIT)" report in LGCS will automatically generate a ratio analysis with only one manual input required – auditors will need to enter interfund loan information, if applicable, into the FIT spreadsheet for the fund balance sufficiency and change in cash position measures.

For F196 School Districts, the "F196 Financial Indicators" report in DARS is automatically generated from the OSPI F196 database. In addition, Team School Programs performed a central data analysis using the OSPI F196 database information and performed additional review all school districts with multiple warning indicators as documented [here](#). The spreadsheet includes analysis of enrollment and their review notes along with a recommendation on whether the warning indicators represent a potential issue that needs further analysis. Contact Sara Heath with any questions about the analysis or assistance with your consideration of any warning indicators.

These tools provide quantitative indicators of potential issues, however, auditors will need to critically analyze the government's financial picture to determine whether or not a ratio result represents a potential sustainability issue. In evaluating ratios, auditors should consider the following:

- A ratio that is outside of the FIT thresholds (for Cash or Schools) or TeamMate template ratios (for GAAP) **is not, by itself, an audit issue**. As described on our website, the indicators are designed as an alert to a potential situation that will need further analysis to understand.
- Auditors should be especially alert regarding any warnings related to the cash/fund balance sufficiency as this will indicate concerns with a government's reserves (i.e. savings). Governments need sufficient reserves to operate and respond to emergencies. Very low reserves (i.e. below the benchmark) often indicates an entity is already in fiscal distress or might easily become distressed should something unexpected occur.
- If a ratio or other financial measure is concerning, auditors should work with the government to evaluate the potential causes of the ratio, trend or balance. For example, a decline in cash position might appear concerning by itself, but might make sense if the government has a planned spend-down of accumulated resources, such as a planned capital project.

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STEP 2: Assess additional financial and non-financial information to identify potential financial impacts.

The auditor should consider information not only for the period under audit, but also subsequently. Subsequent events and information about the government's current financial condition provide further evidence about the severity, likelihood and time sensitivity of conditions during the audit period.

In addition to items noted in the planning guide under "Measurement of Financial Health", examples of conditions or events that indicate a distressed financial condition include could result in the following effects:

- *Cash flow problems – are there any indicators of cash flow problems, such as a financial position where current assets are significantly less than current liabilities, or actions such as delaying payments to vendors, issuing registered warrants, or getting behind (defaulting) on debt payments?*
- *Debt triggers – has the government defaulted on debt, drawing on guarantees or reserves, noncompliance with debt covenants, or have adverse debt agreement terms been triggered (such as an acceleration clause)?*
- *Short-term borrowing – is the entity engaging in or planning to engage in short term borrowing to meet cash needs, either via interfund borrowing or borrowing from external sources? Is this kind of borrowing growing in size or not expected to be repaid in the near-term?*
- *Has the entity experienced a loss of a major revenue sources, such as a major customer, grant or contract that affects current or future years?*
- *Losses - has the government experienced a catastrophic event or large loss for which the government is uninsured or underinsured?*
- *Dependence on one-time revenues - Are operations or the operating budget are being sustained by one-time or infrequent revenue sources or transfers?*
- *Resources in other funds – are there resources in other funds that are potentially available to pay for or mitigate costs that the General fund is currently bearing?*
- *Nature, length and timing of debt service – was outstanding debt issued for operating or capital purposes, how long will the current level of debt service continue, and does debt include any significant balloon payments or back-loaded principal payments?*
- *Contingent liabilities – would any significant contingent liabilities, lawsuits, guarantees or other obligations exceed the government's ability to pay or threaten the government's financial condition if realized?*
- *Known or potential future changes in funding – is the government anticipating changes in funding levels or formulas (ie: due to changing regulation, grant programs, economic factors, etc)?*
- *Known or potential future cost increases – is the government anticipating new or increased costs?*
- *Capital planning – are land holdings, right of ways, infrastructure and building capacity sufficient to meet projected future service demand or will new acquisitions need to be made?*
- *Revenue inflexibility – to what extent is the government able to increase taxes, assessments, fines, fees or other revenue sources as needed?*
- *Spending inflexibility – what activities or expenses could be eliminated or reduced if needed?*

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- *Business risks – what is the government's exposure to property, casualty, legal, regulatory and other business risks? (Consider information from the risk assessment inquiry planning procedures about business risks)*
- *Uneconomic long-term commitments – does the government have any commitments or contracts or a business model that lock the government into ongoing losses.*
- *Uncertainties - are there any significant political, regulatory, contractual or other uncertainties that may threaten the government's existence or ability to conduct business if realized?*

Auditors should also be alert for any of the following situations, particularly if there are other indicators of financial distress:

- *Budget compliance - General fund expenditures that exceed budget or other indications of inadequate budgetary procedures that may hamper the entity's ability to properly monitor its financial condition. See the "Budget Compliance" folder for further details regarding budget compliance.*
- *Inappropriate use of restricted resources - Inadequately supported or unallowable cost allocations, transfers or loans from restricted funds. See testing strategies in the Use of Restricted Funds folder for details.*

If a significant issue has been identified, auditors are required to perform the following follow-up procedures. If not, no further procedures are necessary.

STEP 3: Discuss potential issues with the government and obtain their views on the situation, their plan to address financial concerns, and how the situation is being monitored by management and the governing body.

We would expect governments to be aware of their financial situation, have evaluated their situation and possible solutions, have a plan (whether written or informal), and be actively monitoring it. If there is no written plan addressing the auditor's concerns, the auditor should request a memo describing the government's views and/or plan.

When evaluating the government's plan, auditors should consider whether the plan addresses known issues and conditions, identify any significant assumptions or uncertainties inherent in the plan, determine when results are or should be expected (in order to compare to interim actual results) and evaluate the reasonableness of the plan.

Generally, the more time sensitive and serious the potential financial consequences the stronger and more formal we expect the entity response to be.

Entity and fund types (proprietary vs. governmental) have varying abilities to respond to financial conditions (especially in the short-term). Governments may have a limited ability to either generate more revenue or reduce costs.

STEP 4: Consider further procedures to evaluate potential effects of a financial condition or sustainability issue, including:

- **If a financial audit is being done, auditors should refer to the "going concern" step for required financial audit follow-up procedures.**

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- If the government has any bonds outstanding, determine whether financial concerns may affect compliance with bond covenants and continuing disclosure requirements. If so, follow up with appropriate testing for these risks.

STEP 5: Discuss the situation with the applicable Assistant Director, Program Manager and Subject Matter Expert to assist the team with their analysis and conclusions, including consideration of any factors specific to the type of government and whether there are any further procedures or analysis needed.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

2020 A&A Update – Part 3 – Evaluating Financial Condition - 2 hour SAO training providing background and guidance on how to evaluate and report on financial condition issues

Record of Work Done:

STEP 1: Financial information review and risk assessment

We reviewed the financial condition indicators for the District, seen at [FinancialIntelligenceTool](#), where we noted the following 2022 ratios that were outside FIT guidelines:

- Operating Margin - -20%
- Change in Cash Position - -23%
- Debt Load - 39.7%

As the District is on a three year cycle, we took the previous years into consideration and noted the District was within guidelines. Additionally, during our minutes review, we noted the District purchased several vehicles resulting in declines in cash, and paid off several loans resulting in higher than normal debt related expenditures. Fluctuation in cash balance is expected over time, particularly when the District has the type of capital purchases/debt activity that it did during the period. The ending cash balance is still extremely healthy. We also inquired with the Office Manager, Fire Chief and Board Chair during our risk assessments and none of them identified any concerns regarding the District's financial stability.

STEP 2: Non-Financial Analysis

After consideration of our financial and non-financial analysis, we identified **no** potential issues that require further procedures to evaluate.

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C.3.PR.G - Procurement - Purchases and Public Works

Procedure Step: Bidding for Purchases

Prepared By: DW, 1/26/2024

Reviewed By: ACS, 1/30/2024

Purpose/Conclusion:

Purpose:

To determine whether the entity is in compliance with competitive bidding requirements for selected purchases.

Conclusion:

We determined that overall, the District is in compliance with competitive bidding requirements for the purchase of the light chassis truck.

However, we noted the District only had 12 days between original advertisement and bid opening, instead of the 13 days required by law.

We also noted that while the policy correctly requires formal sealed bidding procedures for purchases over \$75,000, but did not include RCW references or details of requirements for formal sealed bidding procedures, which increases the risk that employees will not be aware of/comply with all requirements.

We evaluated these issues for LOR at LOR Summary, and made our recommendations at Procurement.

Testing Strategy:

To determine compliance with competitive bidding statutes required for purchases, **consider** the following procedures:

Identify and Understand Requirements

Allowable procedures and competitive bidding thresholds vary by entity and are affected when vendor lists are adopted. Auditors should review the Bid Laws guide if they are not already familiar with competitive bidding requirements specific to the entity under audit.

Auditors should also consider reviewing the entity's procurement policies, which may be more strict or specific than state law. We would expect

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the entity to follow whichever requirements are the most strict; whether it be federal, local or their own policies. In reviewing the entity's policy, ensure that sales tax is included when determining whether a purchase exceeds the entity's bid threshold. Failing to include sales tax in purchases may lead to noncompliance with competitive bidding statutes.

Exceptions are as follows:

- PUDs exclude sales tax from project code in determining whether a purchase should be bid (RCW 54.04.070(1))
- Housing authorities are the only local government that is exempt from sales and use tax
- If no sales or use tax was paid on a project, we would expect the entity to be able to cite the exclusion

NOTE: if materials, supplies, or equipment are used for a public works project, they must be bid along with the rest of the public works project (see the "Bidding for Public Works" step).

Select Purchases for Testing

Considerations for determining the population of purchases from which to select are as follows:

- Review of minutes (approved or discussed purchases)
- Lists of capital assets prepared by the entity, such as depreciation schedules, inventories or lists for insurance purposes.
- Scan or testing of vendor payments to identify large payments, or payments for single items with split payments or split between departments/funds

Considerations in determining which specific purchases to select for testing are as follows:

- Purchases with known or likely issues from inquiry, newspaper articles or minutes
- Purchases with similar characteristics to past audit exceptions
- Several similar purchases under the bid threshold that span the year (bid splitting)
 - *Note: This may be reasonable in some circumstances - contact the Bid Specialist to discuss the specific scenario*
- Purchases with dollar amounts that are close to bid thresholds
- Purchases with costs over the bid threshold, but not mentioned in the minutes
- Very large or high-profile purchases
- Purchases done through "piggybacking" on another entity's bid
- Purchases made online
- Purchases for which the governing body has waived bid law requirements
- Purchases that did not go through the entity's normal procurement process.

Compliance Testing of Selected Purchases

The following is a list of compliance requirements for purchases, by allowable purchase processes. **The scope of purchase testing should be modified to fit risk indicators and specific testing objectives.** Adequate documentation to evidence compliance must be retained by the entity.

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Purchase Contract Process/Vendor Listing (RCW 39.04.190) - If established by the entity, a vendor listing procedure may be used as an alternative to formal sealed bidding for purchases up to the vendor listing threshold established by entity policy (up to bid threshold amount – see Bid Law Guide for bid thresholds by entity type). Use the Purchase Contract List (Vendor List) step available in the SAOStore to evaluate purchases made by this process.

Piggybacking - “Piggybacking” refers to one entity making purchases or procuring public works from contracts awarded by other entities via an interlocal agreement or contract. Use the Piggybacking step available in the SAOStore to evaluate purchases made by this process.

Formal Sealed Bidding – Purchases submitted through the formal sealed bidding should be reviewed to ensure compliance with the following requirements:

- Specifications must be available to all interest parties and -if required by policy- must be approved by the governing body.
- Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)
- Bids opened and, if required by statute, ready publicly at a fixed time and place.
- Lowest responsible bid was accepted, if required by statute. See Appendix 2 for requirements.

Exceptions to Competitive Bid Requirements – for purchases where formal competitive bid requirements were waived by the governing body in open public meeting, ensure that one of the following conditions were met:

- The item(s) purchased is legitimately available only from a single source per RCW 39.04.280(1)(a)
 - Entity has documented that only a single vendor can legitimately meet the entity’s needs. Note: this is not the same as brand name specification.
 - Reasonable efforts were made to ensure lowest price and/or best terms were received. For example, through negotiations with the supplier or an internet search to determine if a better price or terms for a specific product could be obtained through a different supplier.
- A public emergency exists as defined by RCW 39.04.280, and the governing body must declare the emergency no later than two weeks following the awareness of the contract.

For help analyzing control deficiencies and evaluating non-compliance related to sole source, see the [sole source decision flowchart](#) in the Procurement Resources page.

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ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Bidding and Procurement Area Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS 3.4.1 Leases - includes bidding requirements for lease contracts

Record of Work Done:

To determine compliance with competitive bidding statutes required for purchases, we performed the following the following procedures:

Identify and Understand Requirements

We reviewed the Bid Law guide, updated 4/19/2023, and determined the following bid thresholds were applicable to the District:

- Competitive Bid Threshold - \$40,000
- Purchase Contract Threshold - \$75,000

We reviewed the District's procurement policy, seen at UPDATED POLICY 1-23 Procurement of Goods and Services, and was revised in September 2023, we found their policy requirements to be in line with state requirements. However, we noted the policy correctly requires formal sealed bidding procedures for purchases over \$75,000, it did not include RCW references or details of requirements for formal sealed bidding procedures, which increases the risk that employees will not be aware of/comply with all requirements.

Select Purchases for Testing

To determined the population of purchases from which to select, we performed the following procedures:

- Review of minutes (approved or discussed purchases)
- Scan or testing of vendor payments to identify large payments, or payments for single items with split payments or split between departments/funds

Compliance Testing of Selected Purchases

2022 Light Chassis Dodge Ram Purchase

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Formal Sealed Bidding – Purchases submitted through the formal sealed bidding should be reviewed to ensure compliance with the following requirements:

- Specifications must be available to all interest parties and -if required by policy- must be approved by the governing body.

Clint Volk, Fire Chief, provided us with the bid packet that contained the bid information that stated specifications and bid information may be obtained at the District. No issues noted.

- Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)

The District did not have an affidavit of publication, however they did provide us with copies of the advertisements published in the Mason County Journal on 11/2/22 and 11/9/22. The bid information stated bids were to be opened on 11/14/22 which is 12 days prior to the bid acceptance deadline. The Board did not authorize the formal bidding process for a light chassis truck until 11/1/22, the day before publication. The District should have ensured the bid acceptance date was at least 13 days after the initial advertisement, as required by RCW 52.14.120.

- Bids opened and, if required by statute, ready publicly at a fixed time and place.

In the request for public bid, it stated the District would accept bids until 4 p.m. and would open/review bids at a Board of Commissioners' Special Business Meeting at 10 a.m on 11/15/22. We reviewed the minutes from that meeting and noted the opening and discussion of the bids received.

- Lowest responsible bid was accepted, if required by statute. See Appendix 2 for requirements.

The District received two bids for a light chassis truck, one from Dave Smith Motors for \$52,948 and the other from Bruce Titus of Shelton for \$48,760. In the advertisement published in the Mason Journal, it stated in making awards, the District considers many factors including but not limited to prices quoted, delivery, quality of product, bidder reputation, and suitability for district purposes. In the 11/15/22 Special Business Meeting, the Commissioners awarded the contract to Dave Smith Motors even though the bid was not the lowest because the Bruce Titus bid was a special order that had a 6-8 month delivery time. As the District had operational need for the truck immediately, the Board awarded the contract to Dave Smith Motors. As the District is not required to award to lowest bidder, but can instead use best value criteria, we are not taking issue to this.

C.3.PRG - Procurement - Purchases and Public Works

Procedure Step: Piggybacking

Prepared By: DW, 2/13/2024

Reviewed By: ACS, 2/13/2024

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Purpose/Conclusion.

Purpose:

To determine whether the entity is in compliance with procurement requirements when awarding bids through purchase cooperatives.

Conclusion:

We determined the District is in compliance with procurement requirements when awarding bids through purchase cooperatives.

Testing Strategy.

Piggybacking is an alternative for local governments, in lieu of conducting their own public bidding process. In a piggybacking arrangement, a public agency or group of public agencies (the awarding entity) procures goods or services in a competitive environment and then extends the pricing to other entities. It's commonly used to procure goods, sometimes used to procure services, and rarely used to procure public works – although it is allowable.

State law provides for this option in the Interlocal Agreement Act, RCW 39.34.030.

One item to note, if the local government purchased using a contract offered by the Washington State Department of Enterprise Services (DES) this is not considered piggybacking and is authorized by RCW 39.26.050 and .060. See below for testing of purchases made using a DES contract.

Identify and Understand Requirements

Read the bid law guide section on piggybacking.

Review the local government's purchasing policies. A local government must adhere to any more restrictive purchasing requirements in policy if adopted by the governing body.

For purchases made with federal funds the local government must ensure compliance with any and all federal procurement requirements. *This testing strategy should not be used for federally funded procurements.*

Compliance Testing of Selected Purchases

Auditors should evaluate each purchase or project procured using piggybacking for the following criteria:

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1. Is the **awarding entity** a public agency or a group of public agencies? If they are not, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

The awarding entity is the organization that let the original bid and contract.

Public agency is defined in statute, RCW 39.34.020 defines this term as any agency, political subdivision, or unit of local government of this state including, but not limited to, municipal corporations, quasi municipal corporations, special purpose districts, and local service districts; any agency of the state government; any agency of the United States; any Indian tribe recognized as such by the federal government; and any political subdivision of another state.

Several purchasing cooperatives are considered public agencies (including KCDA and DES) because they are government entities. Our office does not screen or evaluate whether a cooperative is a public agency, it's up to the local government to perform it's own evaluation. Additionally, some purchasing cooperatives use a "lead awarding agency" when soliciting bids for contracts which may qualify as a public agency – even when the cooperative itself might not qualify. If the lead awarding agency who lets the actual contract meets the definition of public agency, then it will meet the requirements in statute.

If the awarding entity is not a public agency or group of public agencies, contact the Bid Law subject matter expert.

2. Did the awarding entity follow its own statutory requirements for bidding and advertisement? If the awarding entity did not follow its own statutory requirements, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

The local government should be able to demonstrate they obtained bidding documentation from the awarding entity, gained an understanding of the awarding entity's compliance requirements, and evaluated whether the awarding entity complied with the requirements. The local government must complete this analysis prior to accessing the contract.

A best practice is for the local government to maintain documentation for audit, just as if the bid file were its own. This could include having copies of the awarding entity's bid documents (advertisement, bid tabulation (summary of bids received), governing body approval of the contract in meeting minutes, etc. Documentation will vary depending on the type of procurement and specific situation and requirements.

As of April 2022, we no longer consider signed certifications as adequate support that the awarding entity met its own statutory requirements. Previously this was accepted for purchases only, not public works. Regardless if the entity has a certification or not, an entity must have documented they reviewed the bid law documents prior to accessing the contract.

3. Did the public agency comply with the notice requirement in state law? If the awarding entity did not post the proper notice, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

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As per [RCW 39.34.030](#)(5(b(ii))), the public agency (or group of public agency) must have posted the bid or solicitation notice on a website established and maintained by a public agency, purchasing cooperative, or similar service provider, for purposes of posting public notice of bid or proposal solicitations, or (ii) provided an access link on the state's web portal to the notice.

4. Did the original solicitation and resulting contract specifically allow for other entities to use it post-award (an assignability clause or the equivalent)? *If not, the local government should not have piggybacked on this contract.*
5. Was the original contract open and active for the local government to use it for the time period they needed it? *If not, the local government should not have piggybacked on this contract.*
6. Did the local government purchase the same good(s) or service(s) as was detailed in the awarding entity's specifications AND for the same specified price? If there are differences, contact the bid law subject matter experts to discuss further. State law does not provide for adding options or making changes to the procurement. We may want to request their legal analysis.

If the local government is piggybacking on a public works contract, then the plans and specifications must also be essentially the same, with the only quantity differences. The labor paid must be consistent with the labor price per the original contract, after compensating for regional differences in prevailing wage rates. See the bid law planning guide for a more detailed example.

If a contract was awarded to a vendor who gives a percentage off of MSRP, then we would expect the actual price at time of the original contract would be paid by anyone piggybacking from that contract. Otherwise, MRSP will fluctuate over time and result in changing prices which should not be used.

7. Did the local government enter into an interlocal agreement or contract with the awarding entity (the public agency or group of public agencies that let the contract)?

If the awarding entity is a cooperative, then their membership agreement may suffice so long as it meets all the requirements of RCW 39.34.030.

If the local government has ensured the above steps are properly followed, a local government can piggyback on the contract without further consideration to its own bidding requirements.

Compliance testing of selected DES projects

Auditors should evaluate each project procured using DES for the following criteria:

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1. Did the local government have a signed master contract usage agreement with DES prior to using a DES contract? This can be confirmed on DES's website at [MCUA Listing \(wa.gov\)](https://www.mcuwa.org/Listing)
2. Did the local government purchase the same good(s) or service(s) as was detailed in the DES specifications, for the same specified price, within quantity limits, AND from a vendor authorized in the contract?

If there are differences, contact the bid law subject matter experts to discuss further. State law does not provide for adding options or making changes to the procurement.

If the local government has ensured the above steps are properly followed, a local government can purchase using the DES contract without further consideration to its own bidding requirements, or the requirements in the Interlocal Agreement Act (RCW 39.34.030).

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Bidding and Procurement Area Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

RCW 39.34 Interlocal Cooperation Act - RCW 39.34.030 allows local governments to fulfill bidding requirements by piggybacking on a bid awarded by the State, another government or a group of governments, provided certain requirements are met

Record of Work Done:

Piggybacking is an alternative for local governments, in lieu of conducting their own public bidding process. In a piggybacking arrangement, a public agency or group of public agencies (the awarding entity) procures goods or services in a competitive environment and then extends the pricing to other entities. It's commonly used to procure goods, sometimes used to procure services, and rarely used to procure public works – although it is allowable.

State law provides for this option in the Interlocal Agreement Act, RCW 39.34.030.

One item to note, if the local government purchased using a contract offered by the Washington State Department of Enterprise Services (DES) this

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is not considered piggybacking and is authorized by RCW 39.26.050 and .060. See below for testing of purchases made using a DES contract.

Identify and Understand Requirements

- We read the bid law guide section on piggybacking, last updated 4/19/2023
- We reviewed the local government's purchasing policies, seen at (), last revised 9/19/2023

Compliance Testing of Selected Purchases

Auditors should evaluate each purchase or project procured using piggybacking for the following criteria:

1. Is the **awarding entity** a public agency or a group of public agencies? If they are not, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

We obtained the District's HGAC Bid Documents folder for the purchase of a 2021 Dodge Ram 5500 Life Line Superliner Type I ambulance by piggybacking off of a contract awarded to Hughes Fire Equipment with the Houston-Galveston Area Council (H-GAC) as the lead agency. H-GAC is a regional organization in Texas of local governments that was established in 1966 to address issues and challenges that are common to governments. Based on the definition of a public agency defined in RCW 39.34.020, H-GAC qualifies as a public agency as the council is made up of 13 counties in Texas.

2. Did the awarding entity follow its own statutory requirements for bidding and advertisement? If the awarding entity did not follow its own statutory requirements, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

We discussed the District's process for ensuring the awarding entity, in this case HGAC, followed their own statutory requirements and Clint explained that prior to joining HGAC, he worked with Nicolette Greenhouse, HGAC Outreach Coordinator, who explained their processes and provided the District with the all the bid documentation including the specifications, advertisements, the bid tabulation and the contracts for the award. Clint explained that after working with the Outreach Coordinator and prior entering into an ILA with HGAC, he also attended a class put on by HGAC. No issues noted.

3. Did the public agency comply with the notice requirement in state law? If the awarding entity did not post the proper notice, the local government cannot piggyback on this contact as per [RCW 39.34.030](#) (5b).

We reviewed the bid notifications provided by the District and noted there was a link to H-GAC's website and we also noted the bid solicitation was posted on their website.

4. Did the original solicitation and resulting contract specifically allow for other entities to use it post-award (an assignability clause or the equivalent)? *If not, the local government should not have piggybacked on this contract.*

We reviewed the Cooperative Agreement between H-GAC and Hughes Fire and included in the Special Provisions section we noted a paragraph that states the availability of pricing to users other than H-GAC for the period of October 10, 2020 through September 30,

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2022. No issues noted.

5. Was the original contract open and active for the local government to use it for the time period they needed it? *If not, the local government should not have piggybacked on this contract.*

We reviewed the Cooperative Agreement between H-GAC and Hughes Fire and it was open for the period of October 10, 2020 through September 30, 2022 which covers the time the District purchased the ambulance in 2021. No issues noted.

6. Did the local government purchase the same good(s) or service(s) as was detailed in the awarding entity's specifications AND for the same specified price? If there are differences, contact the bid law subject matter experts to discuss further. State law does not provide for adding options or making changes to the procurement. We may want to request their legal analysis.

We reviewed bid tabulation spreadsheet provided to the District by H-GAC and noted the Dodge Ram 5500 Super Liner 171' Body Type I ambulance for the base price of \$200,829. We also reviewed the letter sent to H-GAC by Clint Volk, Fire Chief, that notified them of the District's contracted purchase of the ambulance and noted the type and base price matched. Additionally, we noted the District paid \$247,941.06 (WA sales tax included) which included published and unpublished options as well as the H-GAC fee. We inquired with Clint about the options included in the total cost and if all the options added were specifications included in the published bid. He explained that when the District ordered the ambulance HGAC sent them an extensive list of published options that allowed the District to customize the ambulance to meet their specific needs. Clint provided us with the list of options included in the bid documents as well as the District's Contract Pricing Worksheet that itemized all the options the District included in their purchase. We compared the additional items purchased by the District to the full list and found they were included. During our review we noted the District had the following unpublished options included in their order:

- o stainless steel wheel covers removed, \$-188
- o rear facing attendant seat removed, \$-747
- o Premium LED head and fog lamps, \$915
- o move heat/AC to street side wall, \$200

Although the District did have specifications and adjustments that were unpublished we are not taking formal issue with them as the total net effect was only \$180 and considered trivial. As part of our weekly status meeting on February 14, 2024, we verbally recommended that in future piggybacking purchases, the District ensure that all modifications are within the list of published options.

The District's total adjustments of \$23,781 and the \$1,000 HGAC processing charge made up the difference we noted above.

7. Did the local government enter into an interlocal agreement or contract with the awarding entity (the public agency or group of public agencies that let the contract)?

If the awarding entity is a cooperative, then their membership agreement may suffice so long as it meets all the requirements of RCW 39.34.030.

We reviewed the District's interlocal agreement between HGAC and the District signed on 12/9/2020 by Clint and on 2/2/2021 by HGAC.

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No issues noted.

As the District has ensured the above steps are properly followed, we have determined they can piggyback on the contract without further consideration to its own bidding requirements.

Compliance testing of selected DES projects

2020 Light Chassis Command Vehicle Purchase

We evaluated the District's purchase of a Ford F-350 procured using DES for the following criteria:

1. Did the local government have a signed master contract usage agreement with DES prior to using a DES contract? This can be confirmed on DES's website at [MCUA Listing \(wa.gov\)](https://www.mcua.wa.gov)

Clint Volk, Fire Chief, provided us with the District's master contract usage agreement with DES, #K6001 signed on 5/24/2019. No issues noted.

2. Did the local government purchase the same good(s) or service(s) as was detailed in the DES specifications, for the same specified price, within quantity limits, AND from a vendor authorized in the contract?

Clint provided us with the master contract between DES and Columbia Ford, INC, contract #05916 for the period of 1/5/2017 through 1/5/2021. We reviewed the contract and noted it did not specify any certain type of vehicle, rather it was for vehicles and/or services. We reviewed the purchase invoice and noted it was for a Ford F-350 from Columbia Ford with a delivery date of 7/21/2020 and therefore qualifies. No issues noted.

As the District ensured the above steps were properly followed, they can purchase using the DES contract without further consideration to its own bidding requirements, or the requirements in the Interlocal Agreement Act (RCW 39.34.030). No issues noted.

C.3.PRG - Procurement - Purchases and Public Works

Procedure Step: Bidding for Public Works

Prepared By: DW, 1/26/2024

Reviewed By: ACS, 2/8/2024

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Purpose/Conclusion.*

Purpose:

To determine compliance with competitive bidding requirements for selected public works projects.

Conclusion:

The District did not have any public works projects during the period. We found the District had mostly addressed the recommendation in our prior audit management letter regarding its procurement policy and controls over use of the small works roster.

However, we noted although the policy correctly requires formal sealed bidding procedures for public works projects over \$350,000, it does not include RCW references or details of requirements for formal sealed bidding procedures, which increases the risk that employees will not be aware of/comply with all requirements.

We also noted there is overlap between the public works under \$50,000 category which states the District will use the District's Limited Public Works Roster and the public works projects from \$30,000 to \$350,000 category which states the District will use the District's Small Works Roster. This can be confusing to a user of the policy since (1) there is overlap between the two categories for the \$30,000 to \$50,000 range, so an employee may not know which to follow and (2) it implies the District will maintain two separate rosters: a "Limited Public Works Roster" and a "Small Works Roster". However, under the RCW requirements, the same roster would be used for both thresholds, but different procedures would be followed for each. This overlap and misleading roster descriptions increase the risk that employees will not understand and correctly follow the requirements. In addition, although the policy references the small works roster RCW, the language in the RCW is rather difficult to follow, so it would be helpful to have the requirements clearly described in the policy to help ensure employees are aware of all requirements.

We evaluated for LOR at [LOR Summary](#), and made our recommendations at [Procurement](#).

Testing Strategy.*

To determine compliance with competitive bidding statutes required for public works projects, **consider** the following procedures:

Identify and Understand Requirements

Allowable procedures and competitive bidding thresholds vary by entity and are affected when small works rosters are adopted. Auditors should review the Bid Law guide if they are not already familiar with competitive bidding requirements specific to the entity under audit.

Auditors should also consider reviewing the entity's procurement policies, which may be more strict or specific than state law. We would expect

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the entity to follow whichever requirements are the most strict, whether it be federal, local or their own policies.

Select Projects for Testing

Considerations for determining the population of projects from which to select are as follows:

- Review of minutes (approved or discussed projects)
- Lists of capital projects or construction in process prepared by the entity
- Scan or testing of vendor payments to identify payments for public works projects
- L&I website <https://secure.lni.wa.gov/wagelookup/searchforms.aspx>
- L&I 'Prevailing Wage Intent & Affidavit (PWIA) Portal - (search projects by awarding agency to identify project awarded). See L&I PWIA [Portal User Access Guide](#) for information on how to gain access and for instructions on use (also available directly from Hub | Audit | Auditor Reference Guide | Procurement Resources)

Considerations in determining which specific projects to select for testing are as follows:

- Projects with known or likely issues (operational or compliance) from inquiry, newspaper articles, minutes or L&I PWIA portal
- Projects with similar characteristics to past audit exceptions
- Projects that span more than one year (bid splitting)
- Projects that significantly exceed original bid amounts
- Projects that have a significant number or dollar amount of change orders
- Projects with costs over the bid threshold, but not mentioned in the minutes
- Very large or high-profile projects
- Projects for which the governing body has waived bid law

Compliance Testing of Selected Projects

The following is a list of compliance requirements for public works projects, by allowable public works process. **The scope of project testing should be modified to fit risk indicators and specific testing objectives.** We would expect adequate documentation to evidence compliance would be retained by the entity in organized project files.

All public works projects must be awarded to the lowest responsible bidder. *Except,* under RCW 35.23.252, second class cities may accept the 2nd lowest bid for projects meeting criteria under RCW 39.04.350 provided they can demonstrate the following:

- The City issued a written finding that the lowest bidder delivered a project to the City in the last three years which was late, over budget, or did not meet specifications
- The City does not find in writing the bidder has shown how they plan to improve performance to meet project specifications

Formal Sealed Bidding

Projects submitted through the formal sealed bidding should be reviewed to ensure compliance with the following requirements:

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1. Invitations to bid were properly advertised (typically evidenced by an affidavit of publication) at least once in the local paper, typically at least 13 days prior to bid acceptance deadline (refer to entity specific statutes)
2. Bids open at a set time and place
3. Bidders provided all required documentation with their bid, including bid bonds (5% of bid amount)
4. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
5. Entity has complied with prevailing wage requirements (see the *Prevailing Wage Requirements* step available in the SAO Store)
6. Contractor was paid in compliance with the contract
7. Entity has complied with retainage requirements, which include: release from Department of Labor and Industries, Notice of Completion and release from Department of Revenue, release from the Employment Security Department and final acceptance by entity's governing body

Small Works Roster

The small works roster procedure may be used as an alternative to formal sealed bidding for public works projects up to \$350,000 if the process has been adopted by the governing body. RCW 39.04.155 outlines the steps required, and include:

1. The existence of the roster and solicitation for names must be advertised by the entity once a year in a newspaper of general circulation within the jurisdiction
2. A procedure must be established and followed for obtaining quotes
3. Documentation must be maintained to ensure quotes were appropriately obtained
 1. Quotations (telephone, written or electronic) may be invited from either all contractors on the appropriate small works roster or from at least five contractors on the appropriate small works roster.
 2. Invited quotes are to be "equitably distributed" between contractors. "Equitably distributed" means that the agency may not favor certain contractors over others.
 3. If the entity chooses to solicit quotes from less than all contractors on the list and the estimated cost of the work is from \$250,000 to \$350,000, they must also notify the remaining contractors on the appropriate small works roster that quotations on the work are being sought. This notification can be made by:

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- i. Publishing notice in the general circulation newspaper
 - ii. Mailing a notice to the contractors
 - iii. Sending a notice to the contractors by fax or other electronic means (such as e-mail)
4. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
 5. Entity has complied with prevailing wage requirements (see the *Prevailing Wage Requirements* step available in the SAO Store)
 6. Contractor was paid in compliance with the contract
 7. Entity has complied with retainage requirements, which include: release from Department of Labor and Industries, Notice of Completion and release from Department of Revenue, release from the Employment Security Department and final acceptance by entity's governing body.

Note: A local government may waive the retainage requirements of Chapter 60.28 RCW, but the entity assumes liability for the contractor's nonpayment of laborers, mechanics, subcontractors, suppliers, and taxes. However, the local government has the right of recovery against the contractor for any payments made on the contractor's behalf

8. Make available a list at least once a year identifying all contracts awarded through the small works roster that includes contractor/vendor name, amount of contract, brief description of the work, the date the project was awarded, and where the bid quotations may be obtained for public inspection (RCW 39.04.200)

Port districts and irrigation districts are only allowed to use the small works roster procedure for projects under \$300,000

Limited Public Works Process

This procedure is also an alternative to the small works roster if the process has been adopted by the governing body. RCW 39.04.155(3) outlines the required steps for projects with a cost of less than \$50,000.

1. A minimum of three quotes must be obtained from the small works roster
2. The lowest responsible bid was accepted (see *Lowest Responsible Bidder* guidance published by the Center)
3. A list must be maintained of the contractors contacted and the contracts awarded during the previous twenty-four months under the limited public works process, including contractor name, registration number, amount of the contract, description work performed, and date contract was awarded
4. May waive payment bond, performance bond, and retainage requirements. If these requirements were not waived, we would expect compliance with bonding and retainage requirements.

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Note: Regardless of which process is used, the entity must ensure that the Contractor has complied with prevailing wage requirements by paying workers at least the hourly prevailing wage rate (evidenced by the affidavit of wages paid per RCW 39.12.040)

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Bidding and Procurement Area Guide

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

RCW 39.04 Public Works – complete chapter on public works procurement laws

Record of Work Done:

The District received a management letter over procurement of public works in its prior audit. **Prior audit exceptions** included:

- The District awarded a contract for \$130,401 to purchase and install a modular home. During the the procurement process, the District found there were not qualified contractors on the small works roster for this particular work. While the District did obtain quotes to ensure it received the best price, state law requires this activity to be formally bid because the District's small works roster did not contain contractors that perform this work.
- While the District had a procurement policy including rules for use of the small works roster, the District's policy (SOP 1-23: Procurement of Public Works Projects) did not align with state law regarding small works roster use.

To follow-up on the District's recommendation from the prior audit, we performed the following procedures:

Identify and Understand Requirements

Allowable procedures and competitive bidding thresholds vary by entity and are affected when small works rosters are adopted. We reviewed the Bidding & Procurement guide, updated 4/19/2023, and determined the following bid thresholds were applicable to the District:

- Competitive Bid Threshold - \$30,000
- Small Works Roster Threshold - \$350,000

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To follow up on the prior audit recommendation that the District update its policy and controls to include procedures for securing quotes from an adequate number of contractors when using its small works roster and retaining adequate evidence of compliance with bid law requirements, we reviewed the District's updated policy UPDATED POLICY 1-23 Procurement of Goods and Services. We noted it includes a reference to the small works roster RCW and the appropriate thresholds. It also states the District would establish/use its own small works roster.

We also inquired with Chief Clint Volk, who stated the District had not had any public works projects since the prior audit, but if it did, staff would refer to the policy and also review the underlying RCWs and MRSC for guidance, and consult with the District's attorney before awarding the contract to ensure compliance. We determined the recommendation in our prior audit management letter regarding the policy and controls had been mostly addressed.

However, we noted although the policy correctly requires formal sealed bidding procedures for public works projects over \$350,000, it does not include RCW references or details of requirements for formal sealed bidding procedures, which increases the risk that employees will not be aware of/comply with all requirements.

We also noted there is overlap between the public works under \$50,000 category which states the District will use the District's Limited Public Works Roster and the public works projects from \$30,000 to \$350,000 category which states the District will use the District's Small Works Roster. This can be confusing to a user of the policy since (1) there is overlap between the two categories for the \$30,000 to \$50,000 range, so an employee may not know which to follow and (2) it implies the District will maintain two separate rosters: a "Limited Public Works Roster" and a "Small Works Roster". However, under the RCW requirements, the same roster would be used for both thresholds, but different procedures would be followed for each. This overlap and misleading roster descriptions increase the risk that employees will not understand and correctly follow the requirements. In addition, although the policy references the small works roster RCW, the language in the RCW is rather difficult to follow, so it would be helpful to have the requirements clearly described in the policy to help ensure employees are aware of all requirements.

Select Projects for Testing

To determine if the District had any public works projects during the audit period, we performed the following procedures:

- Review of minutes (approved or discussed projects) - no projects identified
- Scan or testing of vendor payments to identify payments for public works projects - no construction related vendors identified
- L&I website <https://secure.lni.wa.gov/wagelookup/searchforms.aspx> - no projects listed for the District
- L&I 'Prevailing Wage Intent & Affidavit (PWIA) Portal - no projects listed for the District

Based on the the review listed above and conversations with Clint, we determined the District did not have any public works projects during the audit period. No further work necessary.

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C.4.PRG - Payroll Disbursements

Procedure Step: Payroll Testing

Prepared By: DW, 2/8/2024

Reviewed By: ACS, 2/13/2024

Purpose/Conclusion:

Purpose:

To determine whether payroll salaries and wages (gross pay) is valid and adequately supported and whether selected compensated absence (leave) transactions are valid and properly accrued and used.

Conclusion:

We determined District's gross pay for permanent and temporary employees is valid and adequately supported. We also determined selected compensated absences transactions for permanent employees are valid, properly accrued and used.

Testing Strategy:

To determine whether selected compensated absence transactions are valid and properly tracked, **consider** the following procedures:

See the "Payroll Analytical Procedures" step for example analytical procedures to help identify risks or high risk employees/transactions. Staff members who have access to the payroll system or are timesheet approvers, such as HR, IT or management are typically considered high-risk, as are employees who take little or no leave or who have large amounts of comp time.

Leave Usage

- Verify correct calculation of leave accruals (leave earned) for selected employees to entity policy.
- For selected employees, ensure accrued leave balances did not exceed entity authorized limits.
- Trace approved leave slips to system records to ensure proper recording. For each selected employee, compare supporting timesheets and/or leave slips to the system records. This test could be done for a selected month(s)/timesheet(s) or for the entire period.

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- For follow-up on unreasonable lack of leave or to verify leave for employees who may not have any support for leave usage (no timesheets or leave slips), auditors could consider the following alternative evidence:
 - Inquiry with supervisor, subordinates or others who would be in a position to know if their claimed leave is reasonable
 - Review of calendars or security logs

Compensation Time Accrual

- Judgmentally select employees to test for supported comp time accruals. For each selected employee, compare system records to supporting timesheets or comp time approval forms.
- Verify that ineligible comp time employees (usually salaried workers such as management) are not receiving such benefits.
- Check that the sum of the number of hours worked and claimed in a period does not exceed 24 hours per day or other unreasonable criteria.

Leave Buy-Backs

- Re-calculate selected buy-back transactions.
- Verify that selected buy-back transactions were in compliance with entity policy, approved and properly deducted from leave balances.

Guidance/Criteria:

Record of Work Done:

Audit Area

Payroll - gross pay, leave accruals, leave buyouts, and temporary employee pay

Audit Risk

There is an inherent risk the District does not have adequate controls in place to properly track leave accruals and leave buyouts are not calculated properly.

There is an inherent risk payroll costs are not calculated properly.

Audit Plan

We plan to update our understanding of controls over leave buyouts, gross pay and temporary employee pay.

We plan to judgementally select employees to test leave accruals, gross pay and temporary employee pay. Additionally, we plan to test leave

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buyouts if the District had any during the audit period.

Internal Controls

We updated our understanding of internal controls over payroll at Payroll

Substantive Testing

We documented our testing at Payroll Testing and Temporary Employee Testing

Gross Pay - Permanent Employees

Using the Gross Pay by employee report from the District's payroll processor, we judgmentally selected two permanent employees from 2020, one from 2021 and one from 2022 to include in our testing. Heather Fredrickson, Office Manager, explained that the District pays their employees once a month using paper checks, no direct deposits, with their pay period spanning the 16th of month through the 15th of the following month. Heather provided us with employee contracts, pay stubs, payroll summary reports as well as the District's schedule/roster that is used to track daily hours and shifts. On the corresponding tab for each employee tested on the Payroll Testing workpaper referenced above, we recalculated gross pay using base salary outlined in contracts, COLA adjustments, and hours from the schedule and payroll summary reports and matched them to the gross pay on their paystubs. We determined gross pay is adequately supported and properly calculated with no issues noted.

Gross Pay - Temporary Employees

The use of temporary employees was new to the District in 2021 so we judgmentally selected two employees with the highest pay from each year to include in our testing. During a conversation with Heather, she said that the District's pay period running from mid-month to mid-month made it more challenging to calculate temporary employee pay as they are on a 28 day cycle with 212 hours in each cycle per FLSA. To track this Heather created a spreadsheet breaking down the District's pay period to track the amount of hours worked in comparison to the 28 day cycle that operates from the 1st of each month so that each employee would be paid the correct amount of regular hours and overtime hours. On the Temporary Employee Testing workpaper referenced above, we used the employee contracts, state minimum wage rates, pay stubs, payroll summary reports, the District's schedule/roster and Heather's 28 day cycle spreadsheet to recalculate the employee's gross regular and overtime pay. We determined District temporary regular and overtime pay is adequately supported and properly calculated with no issues noted.

Leave Accruals

While we were recalculating permanent employee gross pay, we simultaneously tested their vacation and sick leave accruals and usage to ensure they were tracked properly and accruing at the correct rate based on their contract. Using Heather's leave accrual spreadsheet we matched the beginning hours on the employee paystubs to the amount in the spreadsheet and found they matched for all employees tested. Additionally, we used the total hours earned and the total hours used in each month during the year in the paystubs and matched them to the amounts listed in the spreadsheet and recalculated the ending balance. We determined the District's leave accruals and usage are adequately supported and properly tracked with no exceptions noted.

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C.5.PR.G - Self Insurance

Procedure Step: Individual Self-Insurance of Unemployment Compensation Risks

Prepared By: DW, 1/24/2024

Reviewed By: ACS, 1/29/2024

Purpose/Conclusion:

Purpose:

To determine if the local government has controls effective to fund future unemployment claims.

Conclusion:

We determined that the District has controls effective to fund future unemployment claims.

Testing Strategy:

Applicability:

This step *applies* to local governments that are *individually* insuring all or a portion of their own unemployment compensation benefits.

This step *does not apply* to:

- Joint self-insurance purchased through membership in a risk pool
- Self-insurance of workers' compensation benefits
- Self-Insurance of employee health and welfare benefits
- Self-Insurance of property & liability risks

Background

Local governments are designated by the Employment Security Department (ESD) in one of two categories: Taxable or Reimbursable. Regardless of the category, the ESD processes all unemployment claims submitted against the entity, so local governments will never be responsible for processing and approving claims. However, local governments must pay all claims submitted to them from the ESD.

Taxable

The local government (employer) is assigned a rate and pays quarterly based on wages paid to employees. Rates are reassessed annually by the ESD. This status is not considered self-insurance and should not be audited using these procedures.

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Reimbursable

The employer must request and be approved for this status by the ESD. Employers report quarterly wages to the ESD, but only pay claims when an unemployment claim is filed, approved, paid by the ESD and then submitted to the employer by the ESD to be paid (reimbursed).

SAO considers the reimbursable status to be self-insurance, regardless of whether the entity sets aside funds for unemployment claims. As such, entities on the reimbursable status should be audited using these procedures. We expect all local governments on the reimbursable status to have controls in place to estimate and set aside funds for future unemployment claims, and to verify that claims submitted to the entity from the ESD are valid claims of the entity (i.e. former employees). Unemployment claims are infrequent in nature, sometimes unpredictable, and the dollar amounts associated are typically less significant. Many entities set funds aside in the budgeting process, including it as a line item based on prior year(s) payment history. Although unemployment claims are typically insignificant, estimating and setting aside funds for future claims could prevent future financial hardships in the event of large and/or unexpected claims.

Note for 2020 audits of reimbursable status unemployment programs: The Employment Security Department (ESD) experienced system problems that led to some entity billing statements not consistently reflecting credits issued in 2020. The ESD is aware of the issue, and has been working to correct statement balances for entities impacted by the system error. This has the potential to lead to significant discrepancies between entity and ESD calculations.

Audit procedures should focus on internal controls to ensure the entity identifies and pays the appropriate amount for legitimate unemployment claims, including any credits that might be owed to the entity. Because ESD statement balances might be incorrect, entity calculations might not tie to ESD records.

Unemployment credits, which might not be recorded in ESD statements, include the following:

- 2020 identified imposter claims
- Federal relief credits or reductions to amounts due given as part of CARES or other federal programs

Auditors should consider these factors when performing the required procedures below and evaluating the results of those procedures. Contact a subject matter expert if you need assistance evaluating the reasonableness of the audit results in light of the information above.

REQUIRED PROCEDURES

To determine if the local government's individual self-insurance program meets expectations for best practices, **perform** the following procedures:

- Verify that the entity is indeed on the reimbursable status with the Employment Security Department (ESD). Evidence of this is if the entity receives invoices from the ESD (quarterly) for claims filed against the entity and pays the ESD for these claims.

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- Gain and document an understanding of the entity's processes and controls to estimate and set aside funds for future unemployment claims. If the entity has a policy, codes, ordinances or other formal requirements covering these activities, audit for compliance with these requirements (e.g. in some cases, a minimum budgeted amount or fund balance if reported in an internal service fund is required by policy). Compare historical actual claims to budgeted claims in prior years to determine if the entities controls are adequate. Consider at least the last three years in this analysis.

Note: Prior guidance suggested that entities self-insuring for unemployment compensation should have policies in place for reserving, settling, and adjusting claims, and for a periodic review of case reserves. However, this is no longer an expectation as these types of activities would not be readily applicable to how most clients participate in ESD's reimbursable status option. Auditors should consider this change in guidance if there are prior audit recommendations relating to policies for reserving, settling and adjusting claims, and periodic reviews of case reserves.

- Gain and document an understanding of the entity's processes and controls to verify that claims submitted by the ESD, to the entity for payment (reimbursement), are valid claims of the entity (i.e. former employees of the entity).
- Select and audit claims during the period, verifying that they are valid claims of the entity by confirming individuals listed are prior employees of the entity. Auditor's should not test to the level of determining eligibility of individuals listed in claims, but should just verify that individuals listed are prior employees of the entity.

Note: The ESD sends a list of claims quarterly to the entity for payment. This list will include all claims that were paid in the applicable quarter, and may include multiple individuals. Use professional judgement to determine which claims to select for audit.

- Ask if the ESD has performed any reviews or audits of the entity recently. If so, review the results and consider any risks or issues identified. Brainstorm responses to risks or issues with an SME, if they are encountered. This is a rare occurrence, so most likely there will not be anything recent.

Guidance/Criteria.7

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

Self-Insurance and Risk Pools Planning Guide

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Auditing Self-Insurance Programs - SAO training on defining self-insurance, identifying when an entity is self-insured, auditing self-insurance programs and additional resources available

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS 3.4.9 Risk Management Principles (GAAP) - includes guidance on accounting, disclosures and reporting, including Schedule 21

BARS 3.8.1 Unemployment and Deferred Compensation

BARS 4.8.9 Schedule 21 Risk Management - required for all local governments to report self-insurance programs, includes reporting instructions

Record of Work Done.

To determine if the local government's individual self-insurance program meets expectations for best practices, we performed the following **required** procedures:

- Verify that the entity is indeed on the reimbursable status with the Employment Security Department (ESD). Evidence of this is if the entity receives invoices from the ESD (quarterly) for claims filed against the entity and pays the ESD for these claims.
We discussed the District's self-insurance program with Heather Fredrickson, Office Manager, and Clint Volk, Fire Chief, and they explained that during the audit period the District had no unemployment claims but they also do not make quarterly payments based on wages paid to employees. During planning we reviewed the District's expenditure by vendor report and identified no payments to ESD. No issues noted.
- Gain and document an understanding of the entity's processes and controls to estimate and set aside funds for future unemployment claims. If the entity has a policy, codes, ordinances or other formal requirements covering these activities, audit for compliance with these requirements (e.g. in some cases, a minimum budgeted amount or fund balance if reported in an internal service fund is required by policy). Compare historical actual claims to budgeted claims in prior years to determine if the entities controls are adequate. Consider at least the last three years in this analysis.

To gain an understanding of the District's processes and controls to estimate and set aside funds for future unemployment claims we spoke with Heather and Clint. They explained that the District has three full time employees who are all long-time employees so receiving an unemployment claim would be a rare occurrence for them. For this reason the District does not maintain a special fund or set aside funds specifically for future unemployment claims, although they are considered each year for the upcoming budget.

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Rather than setting funds aside, Heather explained that District maintains cash reserves adequate to cover claims if they should arise. We reviewed the District's 2020, 2021 and 2022 C-4 and noted they reported \$1,022,301, \$1,073,009 and \$830,324 in ending unassigned cash, respectively. No issues noted.

- Gain and document an understanding of the entity's processes and controls to verify that claims submitted by the ESD, to the entity for payment (reimbursement), are valid claims of the entity (i.e. former employees of the entity).
We spoke with Heather and she explained that as the District is so small, if a claim were to come in she would know immediately if the claim was valid for a former employee of the District because she is involved with the onboarding of all volunteer/temporary staff, as well as reviews all payroll information prior to payment. No issues noted.
- Select and audit claims during the period, verifying that they are valid claims of the entity by confirming individuals listed are prior employees of the entity. Auditor's should not test to the level of determining eligibility of individuals listed in claims, but should just verify that individuals listed are prior employees of the entity.
This is not applicable to the District as there were no unemployment claims during the audit period. No issues noted.
- Ask if the ESD has performed any reviews or audits of the entity recently. If so, review the results and consider any risks or issues identified. Brainstorm responses to risks or issues with an SME, if they are encountered. This is a rare occurrence, so most likely there will not be anything recent.
We inquired with Heather and she told us that ESD has not performed any reviews or audits since she's been at the District.

D.1.PRG - BARS Cash Basis

Procedure Step: Entity Operations - BARS Cash Basis

Prepared By: DW, 2/9/2024

Reviewed By: ACS, 2/13/2024

Purpose/Conclusion.

Purpose:

To gain an understanding of the entity and its operations sufficient to plan and perform the audit and identify items to consider in assessing audit

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risks.

Conclusion:

Based on our understanding of the entity and its operations, we noted **no risk indicators**.

Testing Strategy:

Auditors are **required** to document an understanding of the following items as necessary to supplement the general understanding of the government's operations and environment documented in the planning guide:

Reporting Entity and Related Parties (for disclosure purposes)

- List any component units, joint operations, joint ventures, or jointly governed organizations along with any related parties other than officials and executive staff (who would be considered related parties, but aren't necessary to list in the permanent file). Procedures to identify these parties should include:
- Some of the required inquiry over related parties is documented in the Risk Assessment Inquiry step.
- Review notes for the description of the reporting entity and any related party transaction disclosures
- As needed, perform any additional inquiry
- Identification of related parties is also done with an alertness throughout the audit

The BARS Cash Manual does not provide definitions for each of these related party types because the reporting (disclosure only) follows the same [guidance](#). Auditors will evaluate materiality of organizations and transactions in the [Related Party Transactions](#) step for purposes of evaluating financial statement presentation and disclosure.

- For each related party listed, briefly summarize:
 - A description of the entity
 - The nature of the relationship, including ownership structure
 - How it is reported on the financial statements
 - Whether there are any significant contracts or expected transactions between the entity and the primary government or other related parties. If not obvious, describe the business purpose for entering into transactions with this related party versus an unrelated party. *In many cases this will be obvious because the related party will have been created to provide services to the related governments, and especially when there are no free market alternatives or competition (such as for jail services).*
 - Any other relevant information (such as when it was last evaluated or if it has a separate audit by SAO or another CPA firm).

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- Document any changes from the prior year, including whether the entity entered into, modified, or terminated any transactions with these related parties during the period.

Key Operational Information

Describe key information related to the government's operations as necessary to supplement the general understanding documented in the planning guide, such as:

- Any applicable items listed in the "Key Operational Information" section of the planning guide
- Description of governing body structure or alternative (if alternatives are possible)
- Major programs and activities, especially any optional or unique programs other than basic activities required by statute. Auditors should include information about activities that may be important to know when planning the audit, such as:
- Brief description of unusual or unique programs and activities
- Brief description of the scope of functions that can vary widely (ex: parks or tourism departments at Cities or Counties, number of separate systems for water, sewer or storm water operations, etc)
- Notes on any major function the government has contracted out or performs on contract for other governments (ex: courts, police, jail and juvenile detention at Cities and Counties)
- Notes on any public-private partnerships where the government contracts out the right and obligation to perform a public service, such as operating a toll bridge or wastewater treatment plant.
- Notes on any activities that are reliant on key suppliers, service providers, customers, specialized equipment, or technology / infrastructure at risk of obsolescence
 - If useful, list or describe receipting locations and the types of revenues receipted at each location

If there are many locations, the auditor may want to refer to an attached list or cycling matrix. If the entity doesn't maintain a useful list, a template is available in the TeamStore.

- If useful, list or description of expenditure systems.

The auditor may want to attach a cycling matrix or refer to an attached list of petty cash and imprest funds.

- If useful, list or description of facilities related to certain activities (ex: number and type of fee-use facilities for a Park & Recreation District, number of leasable properties for a Port, number of libraries for a Library District or fire stations for a fire district).
- Use of any service organizations (Policy 6230), along with a description of the nature and significance of services provided.

Service organizations are separate entities that provide services to the government that include performance of controls. Service organizations are identified in this step to provide a basis for risk assessment and planning. However, service organization controls need only be understood and tested (or addressed with SOC reports obtained from the government) if they are identified later in the audit as key controls.

Special Compliance Requirements and Policies

Describe any unique compliance requirements or policies as necessary to supplement the general understanding documented in the planning guide. For example:

- Compliance requirements related to unique programs or activities

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- Special compliance requirements related to material contracts or interlocal agreements
- Results of legal research on unique compliance questions or practices

Significant Accounting Policies and Practices

NOTE: if no financial audit is performed, this section can be skipped.

Describe any unique accounting or reporting issues as necessary to supplement the general understanding documented in the planning guide.

This would include:

- The basis on which the government keeps their accounting records and reports and:
 - Whether the accounting system uses the BARS chart of accounts or not
 - Any major system that accounts for transactions on a basis other than BARS Cash
- Any significant accounting policies or practices (not policy that re-iterate BARS manual guidance, only policies cover actual decisions or deviations). For example:
 - Any unusual use of internal service funds
 - Whether investments are reported at cost, amortized cost or fair value
 - Policy related to expenditure cut-off
 - Unusual accounting or reconciling items with the bank or county treasurer
 - Deviations from BARS.

Any significant accounting policies should be disclosed in Note 1 of the financial statements. Material changes in accounting practices require evaluation and possible disclosure in our audit report (see Policy/Standards tab for details).

- Results of any accounting research on unique accounting or reporting questions or practices.
- Unique considerations regarding measurement of financial condition or performance.

Accounting Estimates:

- List and describe all non-trivial accounting estimates, if any.

For BARS Cash, estimates only appear in the notes and on the Schedule of Liabilities. Common accounting estimates include the following:

- *Pensions / Other Post-Employment Benefits (OPEB)*
- *Pollution Remediation / Asset Retirement Obligations / Landfill liabilities*
- Note risk indicators for estimates that have a high inherent risk due to estimation uncertainty, complexity, subjectivity and/or potential bias.

Consider using the Estimates List worksheet (under Permanent File) in the TeamStore.

Other Information

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The auditor should also **consider** including additional sections or information as necessary.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

See the **Reporting Entity Determination** worksheet available in the TeamStore or [BARS GAAP](#) (reporting entity flowchart) for definitions and criteria for component units, related organizations, joint ventures, jointly governed organizations, undivided interests and related parties. See: Financial Statements | Work Papers | All Financial Audits

[Financial Statement Audits](#) Planning Guide

[Accountability Audits](#) Planning Guide

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.

REPORTING ENTITY AND RELATED PARTIES

We have identified **no** component units, joint ventures, joint operations or jointly governed organizations, and related parties (other than government officials and their immediate families) which may need to be evaluated for note disclosure. We noted the following from the previous audit:

- NOTE: In prior audits we identified an interlocal agreement between Mason Fire 6, Mason Fire 11 and Central Mason Fire/EMS (5) for Fire Investigation Services, Fleet Maintenance and Repair and Emergency Services Training. However, as of 12/2020 the District is no longer a member of this Tri-District Interlocal Agreement.
- NOTE: It was also noted in prior audits that the District was joining other area Districts to create a County Community Paramedicine Collaboration. This was an agreement between several Fire Districts and the Hospital, headed up by the Medical Director at the Hospital. It would have allowed the Districts to know what goes on if the Hospital enters their district to provide services. Each District would have had 1 seat on the board, but there was no funding or other monetary component to the contract. Per follow up discussion with Office

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Manager, Heather Fredrickson and Fire Chief, Clint Volk, this agreement never occurred and the program never finalized. We will continue to monitor for changes in future audits and evaluate further when/if the agreement is finalized.

We noted **no** changes from the previous audit.

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:

- Mason County Fire Protection District No. 6 has two fire stations, with a meeting hall attached to the main station; historically, the District rents out this meeting hall for community use. However, starting January 2018, the District no longer rents the space. Additionally, in 2018, the District added living quarters for live-in Volunteer Residents; these are located at the main station.
- The District currently has four frontline fire trucks, four command vehicles, and two ambulances.
- The District has a full-time Office Manager, Chief and Assistant Chief, as well as four paid firefighters (temporary employees during the audit period, hired as permanent employees in 2023) and between 2 and 5 volunteers.
- The District participates in out-of-district mobilizations and mutual aid calls; the State determines the amount the District will receive for out-of-district mobilizations.
- The District maintains support for expenditures and compiles a voucher list which is signed by the Commissioners; this voucher list is sent to the Mason County Treasurer, who processes the District's warrants.

Use of Service Organizations:

We identified **the following** service organizations relevant to the government's internal controls, which may need to be evaluated further if they are determined to have a key control

- The District contracts with EF Recovery for EMS billing and receipting. Receipts for these billings are deposited directly with the Mason County Treasurer, and notification is sent to Heather Frederickson, Office Manager.
- The District uses DNM & Associates, P.S. which is a CPA firm in Shelton to process payroll; Heather is responsible for tracking leave, and ensuring payroll is prepared and then sends it to the CPA firm for processing. This assists in ensuring a separation of duties over the payroll process.

SPECIAL COMPLIANCE REQUIREMENTS AND POLICIES

We noted **no** special compliance requirements or information in addition to our general understanding documented in the planning guide

Per the planning guide, Fire Districts have a relatively stable environment and do not face any substantial business risks as an industry. Although

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primarily dependent on property taxes, Districts have historically had strong community support for levies.

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.

Accounting Estimates:

We identified **the following** accounting estimates:

- The District participates in the following multiple-employer, defined benefit and defined contribution plans:
 - PERS 1, 2/3, LEOFF 2, and VFFRPF

D.1.PRG - BARS Cash Basis

Procedure Step: Entity-Level Controls

Prepared By: DW, 2/9/2024

Reviewed By: ACS, 2/13/2024

Purpose/Conclusion.

Purpose:

To gain an understanding of the five components of internal control (control environment, risk assessment, information and communications, monitoring and control activities) as they relate to the government as a whole and identify items to consider in assessing audit risks.

Conclusion:

We noted **no** deficiencies in entity-level controls that might undermine control activities at the system level

In addition, based on our understanding of entity-wide components of internal controls, we noted **no risk indicators**

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Testing Strategy:

Auditors are **required** to gain an understanding of the five components of internal control as they relate to the government as a whole.

Auditors should consider recommendations at this point for any significant issues identified, in addition to identifying risk indicators and evaluating the impact of overall elements on control activities in individual systems.

In evaluating entity-level controls, auditors should specifically **consider** the following:

Control Environment:

- What key employees set the control environment at the government-wide level.
- Management integrity demonstrated in past experience with responses to questions and issues.
- Involvement and oversight by the governing body.
- Whether management's philosophy and operating style promote accountability and effective internal controls.
- Whether adequate training appears to be provided to key staff.
- Whether employees in key positions appear competent to perform their duties.
- Any exceptions, such as departments or major areas that are outside the influence of the government-wide control environment.

Risk Assessment:

- What key employees are responsible for risk assessment at the government-wide level.
- Is the government's risk assessment process ad hoc, informal or formal? If not ad hoc, reference or document our understanding of the process and the results for the current period.

Refer to the "Risk Assessment Inquiry" step for suggested questions to evaluate management's risk assessment. Our understanding of management's risk assessment process and results would normally be documented in this step.

Ad hoc = No process to proactively identify, assess and respond to risks. Government relies on individuals to react to their own perception or assessment of risks within their assigned roles.

Informal = unstructured, undocumented and/or unscheduled processes to proactively identify, assess and respond to risks. For example, risk assessment may be assigned as a job to an individual or group, or it may be the subject of conversation or agenda items with the governing body or at management meetings.

Formal = structured, scheduled and documented processes to proactively identify, assess and respond to risks.

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- Whether the government generally appears to identify risks, reasonably assess such risks and take appropriate action. Auditors should specifically note if:
 - Audits are identifying risks that management should have – but failed to – identify.
 - Management tends to dismiss or overly discount the significance or likelihood of risks.
 - Management has not taken appropriate action, and the reasons for not doing so (ex: insufficient resources or other limitations, lack of consensus within the government, operational difficulties, etc).
- Any exceptions, such as departments or major areas that are not subject to the government-wide risk assessment.

Information & Communications:

- The Key Software Applications (KSA) can be updated directly within EIS under the IT Systems tab. Instructions on how to make the updates can be found on the [IT Audit Systems Sharepoint](#) page.
 - Once the inventory has been updated in EIS, download the report directly by going to the 'Data' tab and selecting the Data Analytics Reporting System (DARS) link. From the System drop down menu select Key Software Applications.
 - Complete the spreadsheet columns within the KSA report.
 - To assist with identifying potential application risks, there is the Potential Risks tab within the KSA report.
 - Use the report to evaluate the risks associated with the Key Software modules and take potential risks and audit approaches to the brainstorming step.
 - Upload the completed report into your TeamMate permanent files.
 - State agencies may have applications in both EIS and WaTech downloads. Auditors are not required to update EIS for State Agencies.

Key software applications include the general ledger software and other applications that process significant (volume or type) transactions that could impact key controls for significant departments, compliance requirements, or financial statements.

In addition to the Potential Risks tab within the KSA report, there is the [IT Planning guide](#), as well as applicable [Common System Review guides](#) to assist with the identification of potential application risks.

For further assistance brainstorming risks for an entity or application, teams should request a meeting with ITA - System Auditors via email at [SAO IT Audit](#).

- Whether official policy appears to be adequately communicated.
- Adequacy of reports and information available to managers and supervisors.
- Adequacy of communications between management and the governing body.
- Adequacy of communications with external parties as needed (such as regulatory agencies or service organizations).
- Whether the organizational structure generally appears to facilitate accountability, communication and resolution of issues.

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- Any exceptions, such as departments or major areas with inadequate information systems or lack of communication with key personnel.

Monitoring:

- What key employees are responsible for monitoring at the government-wide level.
- Whether there is an internal audit function. If so, auditors should consider:
 - Whether internal audit directly reports to the chief executive or governing body
 - Whether internal auditors follow professional standards, such as International Professional Practices Framework (IPPF or "Red Book") standards promulgated by the Institute of Internal Auditors (IIA), or Generally Accepted Government Auditing Standards (GAGAS or "Yellow Book") published by GAO.
 - The scope and focus of internal audit activities. If any relevant work was performed by internal audit, we should consider this work and results in the *Other Engagements & FAWF* step.
- Involvement and oversight by management and the governing board, as evidenced by inquiry, observation and minutes.
- Information used for monitoring activities and how management determines reliability of this information.
- Extent to which performance measures, budgets or other financial analysis is used for monitoring purposes.
- Any exceptions, such as departments or major areas not subject to - or resistant to - monitoring or internal audit.

NOTE: Small and medium sized governments are likely to have more informal controls than large governments. For example, management may provide oversight through direct communication with staff rather than through formal processes. Informal means of control can be adequate for entities that are small and/or uncomplicated.

Guidance/Criteria:

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

SAO Audit Policy [6230](#) – Understanding Internal Control and Assessing Control Risk

[Financial Statement Audits](#) Planning Guide

[Accountability Audits](#) Planning Guide

[Green Book Independent Study](#) - SAO training that explains how Green Book and COSO internal control frameworks relate to our audits (although they are not authoritative for Washington state or local governments), also discusses authoritative control guidance for state and local

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governments in the SAAM or BARS manual

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

Green Book - Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. *Standards for Internal Control in the Federal Government*, known as the "Green Book," sets the standards for an effective internal control system for federal agencies.

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:

- The District currently has three full-time paid employees which includes Clint Volk, Fire Chief and Heather Frederickson, Office Manager, and Cody Daggatt, Assistant Fire Chief. Heather is responsible for performing most of the administrative tasks including Accounts Payable, Accounts Receivable, Payroll Tracking, review of Medical Billing, and the compilation of the District's financial statements.
- Chief Volk is also very involved in the review of the Administrative processes including Payroll, Accounts Payable, and the District's financial statements.
- EF Recovery is the third party vendor that processes the District's ambulance billings. Heather reviews the billing rosters, and then submits them to EF Recovery for review. She also reviews the payments received from them, and compares them back to her original billing rosters. Additionally, Heather visits EF Recovery and performs an audit twice a year.
- The District uses DNM & Associates, P.S. which is a CPA firm in Shelton to process payroll; Heather is responsible for tracking leave, and ensuring payroll is prepared and then sends it to the CPA firm for processing. This assists in ensuring a separation of duties over the payroll process.

Risk Assessment

We updated our understanding of management's identification, assessment and response to relevant risks and noted the following:

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- Risk assessment is done ad hoc. Because of the District's size, there are no formal or even informal procedures in place to assess risk or perform risk assessments. However, we noted as discussed in the control structure section, that the District utilizes its employees and third party establishments to adequately separate duties and assist in decreasing the level of risk.
- Through discussion and prior observation on site, management generally appears to have identified risks, accurately assessed the significance and likelihood of risks, and taken appropriate actions to address them.

Information and Communications

We updated our understanding of communication processes and accounting systems and noted the following:

- Update the Key Software Applications spreadsheet and consider adequacy of accounting systems to meet information needs, seen at UPDATED KSA Report.

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:

- Because of the District's size, Heather Fredrickson, Office Manager and Chief Volk play a large role in the monitoring of the District's daily processes. Heather also explained that processes including EMS billing & receipting are handled by a third party processor, with reviews completed by the District to ensure accuracy.
- The District's budget and expenditures are reviewed at each meeting with the Commissioners. We further noted that all vouchers are required to have an approval sheet signed by at least one Commissioner before the County will allow the warrants to be disbursed.
- Overall, the District has good controls in place and adequate monitoring processes through the use of its employees and Board to help reduce the risk of misappropriation.

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.

D.2.PRG - Accountability

Procedure Step: Audit History
Prepared By: DW, 2/13/2024

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Reviewed By: ACS, 2/13/2024

Purpose/Conclusion.:

Purpose/Conclusion:

To document the District's audit history.

Testing Strategy.:

Guidance/Criteria.:

Record of Work Done.:

We documented the District's audit history at [Audit History](#).

D.2.PRG - Accountability

Procedure Step: Payroll

Prepared By: DW, 2/8/2024

Reviewed By: ACS, 2/8/2024

Purpose/Conclusion.:

Purpose/Conclusion:

To gain an understanding of internal controls over Payroll.

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Testing Strategy:

Guidance/Criteria:

Record of Work Done:

UPDATED DURING FY2022 AUDIT

To gain an understanding of internal controls over payroll, we spoke with Office Manager, Heather Fredrickson and Chief, Clint Volk via video conference call. The District contacts with DNM & Associates, P.S. for payroll processing for all three staff members, four temporary employees in 2021 and 2022, approximately 10 volunteers and three Commissioners. District staff/employees, volunteers and Commissioners are paid on a monthly basis. Based on discussion and review of employment contracts, for both Chief Volk and Captain Daggett, they are both salaried and overtime exempt. Per discussion and review of employment contracts for Heather during 2020 she was hourly and eligible for overtime but never worked any. Starting in 2021, the Office Manager position is now also salaried and overtime exempt.

The District will pay volunteer fire fighters based on stipends earned, and the types of days they volunteer (weekends, holidays etc.). Stipends include a \$100 stipend for a 24-hour shift and a \$25 transport stipend when responding to an emergency. In 2022 the volunteer stipend program was suspended for all volunteers, except the the year end volunteer incentive stipend and a monthly stipend for the volunteer officers.

Heather tracks hours worked for staff/volunteers, based on the schedule and information from the staff/volunteers. She tracks time daily using two spreadsheets "Payroll Spreadsheet" and "Leave Tracking" as well as the Emergency Reporting System (ERS). She additionally maintains a spreadsheet titled "Transport Stipend" to track the transport stipends earned. She compares the information tracked in her Transport Stipend spreadsheet to information contained in ERS. At the end of each month Heather provides staff hours and leave usage to DNM for payroll processing. Chief Volk first reviews and approves information to be provided to DNM. The Chief along with Heather sign off on a cover sheet that summarizes the payroll totals for all staff/volunteers (titled "Payroll Summary"), and the packet is sent to DNM for processing. Once payroll is processed, all pay stubs are sent back to the District and Heather compares the information to her payroll spreadsheet and ERS. In addition to that, Heather compares the leave accruals and totals from the pay stubs to her "Leave Tracking" spreadsheet to ensure the information processed matched District records.

Only staff (not volunteers) are eligible to accrue leave and would potentially have leave cashouts. Eligibility and parameters for leave cashouts are included in Employment Agreements. Heather and Clint explained that all current and recent Employment Agreements include leave cashouts upon termination. When an employee leaves the District, Heather calculates the eligible amount of leave for cashout and includes this in the

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Payroll Summary report to DNM for processing and payment.

Once payment amounts are processed by DNM, reviewed and approved by the District and Commissioners, checks are issued from the District's account with the Mason County Treasurer via warrant. No staff are paid via direct deposit or any other electronic method.

Temporary Employees

During the audit period the District shifted from using volunteers to hiring temporary employees to fill the shifts. We spoke with Heather and she explained that when a temporary employee is hired on, they are paid the minimum hourly wage, are not eligible to accrue leave but are allowed sick leave. She also explained that as the District is so small and has so few employees, they do not use timecards, rather they track hours based on the shift schedule that is established at the beginning of the year, with shifts lasting 24 hours. Temporary employees have 212 hour maximum regular pay hours in a period that runs from the 16th of one month to the 15th of the previous month. As the District's hourly employees work on a 28 day work cycle, the 16th - 15th doesn't always work out perfectly so some months employees may have more overtime than others. To track employee hours based on the 28 day cycle, Heather keeps a spreadsheet to ensure they are paid the correct amount of overtime based on their shifts and where they are in the period. Heather also said that temporary employees do not have on-call pay but are eligible for overtime, in the event they still on a call when shifts end or for wildland fires. When an employee does have overtime, it is communicated to Heather in an email and she notes it in her spreadsheet as well as the packet that gets sent to DNM for processing.

Key Controls

1. Office Manager tracks employee hours using the schedule/roster and enters total hours worked in the Payroll Summary report which is reviewed by the Fire Chief prior to sending to payroll processor to ensure payroll information is accurate.
2. For permanent employees, the Office Manager tracks vacation and sick leave accruals and usage for each month using the Leave Tracking Accrual spreadsheet based on hours authorized each month per contract and hours used.
3. For temporary employees, the Office Manager tracks regular hours based on the 28 day cycle in comparison to the District pay period to ensure they are paid the correct amount of regular and overtime hours.

D.2.PRG - Accountability

Procedure Step: General Disbursements

Prepared By: DW, 1/18/2024

Reviewed By: ACS, 2/8/2024

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Purpose/Conclusion.

Purpose/Conclusion:

To gain an understanding of internal controls over general disbursements.

****Last updated during FY2019 audit****

Testing Strategy.

Guidance/Criteria.

Record of Work Done.

****Last updated during FY2019 audit****

General Disbursements

To gain an understanding of internal controls over disbursements, we spoke with Office Manager, Heather Fredrickson and Fire Chief, Clint Volk via video conference call.

The disbursement process starts when a purchase is made. The District only has three full time employees, all of which are authorized to make purchases. Although the District has approx. 15 volunteer firefighters, they are not authorized to make purchases. Due to the small size of the District, all staff are typically very familiar with day-to-day activities and any purchases or projects. So Heather is typically aware of and expecting any invoices before they are received. Once the invoice is received, if it's a purchase Chief Volk or Captain, Cody Daggat has made, she ensures the invoice is given the "ok to pay" by them.

Throughout the month, Heather enters the invoices in Quickbooks. Each month, approx. mid-month, Heather runs a Voucher Cover Sheet, which lists all checks to be processed. The report includes which fund the checks are to be processed from, the vendor, invoice number, a description of the cost, amount and check number. This report is sent to the County so they can begin processing the warrants. Each month, prior to the monthly Commissioner meeting, Heather prepares a packet to the Board which includes the Voucher Cover Sheet report. At the monthly meeting, Heather provides these reports again to the Board but also includes copies of all supporting invoices. The Voucher Cover Sheet report is reviewed by all Commissioners and the Chief, comparing to the supporting invoices. Once review is complete, each, including Heather, signs the Voucher

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Cover Sheet indicating their review and approval.

Next, Heather takes the signed Voucher Cover Sheet to the County to pick up the warrants. Heather is unable to pick up the warrants without Voucher Cover Sheet signed by the Commissioners. Heather checks each warrant to ensure accuracy before mailing out. Copies of each of the checks is attached to the invoice and supporting documentation.

To void a warrant, which is rare, Heather completes the proper voided warrant forms required by the County and makes the appropriate adjustment in Quickbooks. Additionally, on an annual basis, at year-end, Heather cancels any outstanding warrants that have not been cashed.

The District does not pay any vendors using EFT or ACH.

Credit Cards

To gain an understanding of internal controls over credit cards, we spoke with Office Manager, Heather Fredrickson and Fire Chief, Clint Volk via video conference call.

The District has six credit cards with a total limit of \$13,000:

- Each Commissioner with a limit of \$1,000 each
- Heather with a limit of \$1,000
- Assistant Chief, Cody Dagget with a limit of \$2,500
- Chief Volk with a limit of \$6,500

The District does have a credit card policy (SOP 1-02, section 13.0) that outlines limits, indicates approval process, payment process and prohibits cash advances. The District does not have any formal policies or procedures as to what type of transactions are allowable to purchase with the credit cards. The credit cards are often used to purchase items online, purchase supplies locally or to pay vendors that require immediate payment and do not accept check. All credit cards are kept with the cardholder.

As purchases are made with credit cards, support (receipts or invoices) are turned into Heather. Monthly, when the credit card invoices are received, as with the general disbursement's process, Heather is typically aware of and expecting any invoices before they are received, due to the small size of the District, all staff are typically very familiar with day-to-day activities and any purchases or projects. Once all support is obtained and attached to the invoice, from here, credit card payments are processed through the normal accounts payable process. See General Disbursements above.

Petty Cash

To gain an understanding of internal controls over petty cash, we spoke with Office Manager, Heather Fredrickson and Fire Chief, Clint Volk via

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video conference call.

The District does not maintain any cash at the District. The \$1,000 *petty cash* account is maintained in a bank account with Kitsap Bank. Any use of these funds is by check. The checkbook for the account is maintained in Heather's office and checks can only be signed by Heather and Chief Volk. The District has a petty cash policy (SOP 1-02, section 12.0).

The District does not have any formal policies or procedures as to what type of transactions are allowable to purchase with the petty cash account. Petty cash is typically used with a local vendor that requires immediate payment and does not accept credit card. Additionally, on occasion, Heather will use this account to pay an invoice that was received late but is due before the next check run (which is only done once a month). Also, since Volunteer Firefighters are not allowed to make purchases by credit card or through petty cash, occasionally, in an emergency, an item may be purchased in which the Volunteer is reimbursed. These reimbursements are typically processed through the petty cash fund.

Monthly, Heather reconciles the petty cash fund and prepares a check (through the normal accounts payable process - see General Disbursements above) to replenish the petty cash account. Although use of the petty cash fund is infrequent, reconciliation and replenishment takes place monthly, since there are always minimal bank fees charged to the account.

Vehicle Usage and Fuel Purchases

To gain an understanding of the District's vehicle usage and fuel purchases, we spoke with Office Manager, Heather Fredrickson and Chief, Clint Volk via video conference call.

The District has a policy regarding use of department vehicles (SOP 1-02, section 2.0). The policy indicates vehicles may be used for traveling to and from authorized trainings (in or out of District), meetings for on-duty staff (in or out of District), conferences or other official functions. The District does not have any policies specifically related to fueling vehicles.

Heather and Clint explained that District vehicles are used in emergency response, to attend meetings and for District business (such as picking up warrants from the County). Clint has been provided a District vehicle to take home, as he is expected to respond in emergency situations even if off duty. He lives within the District boundaries. Most District vehicles are fueled at the Alderbrook store (or now called the Union Food Mart), which is near the District. However, Clint noted that if he is in Shelton on District business, he will fuel up the vehicle there as fuel prices are lower in Shelton than in Union. This is reasonable and does not violate policy since vehicle usage for District business outside of District boundaries is allowable.

Fuel purchased at the Alderbrook store is purchased on account and is invoiced and paid by the District monthly. Receipts are maintained for each fuel up and tied to the fuel invoice report received from Alderbrook at the end of the month. Fuel purchased elsewhere is purchased via credit card and receipt provided to Heather. We inquired with staff if they have a method to ensure fuel is only purchased for District vehicles. They stated that the Alderbrook would only allow fuel purchase on their account for District vehicles. While this is a good control, the District does not

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have specific internal method for ensuring fuel purchases are for District vehicles and are reasonable. The District does not maintain any kind of fuel or mileage log or any other method for detailed (or documented) monitoring of fuel purchases. While staff would be able to reasonably monitor fuel via receipts (i.e. maybe a vehicle is being fueled up more often than reasonable) but it would be difficult to identify patterns that may indicate misappropriation. While there are no specific rules or requirements for monitoring fuel purchases, we did discuss some ideas and benefits of a more documented monitoring process. We will remain alert for indications of inappropriate fuel purchases during testing.

D.2.PRG - Accountability

Procedure Step: Ambulance Billing

Prepared By: DW, 1/18/2024

Reviewed By: ACS, 2/8/2024

Purpose/Conclusion.:

Purpose/Conclusion:

To gain an understanding of internal controls over ambulance billings.

****Last updated during FY2016 audit****

Testing Strategy.:

Guidance/Criteria.:

Record of Work Done.:

****Last updated during FY2016 audit****

To gain an understanding of internal controls over ambulance billing and receipting, we spoke with Office Manager, Heather Fredrickson and Fire

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Chief, Clint Volk.

The District contracts with a third party administrator, EF Recovery, to process the District's ambulance billings.

Per review of Resolution 204 (attached to the District's Schedule 22 in LGCS on the SAO Intranet), the District's Basic Life Support (BLS) transportation fee is \$500, with a \$13.50 per mile charge. Per discussion with Heather and Clint, after insurance has been billed, any mandatory amounts written off (per insurance or Medicare, etc.), any remaining balance is (a) written off for residents of Union, since payment of their property taxes funds the District's levy or (b) charged to any patients who live outside of Union.

As patients are transported by ambulance, Incident Reports are completed. All Incident Reports are filed with Heather, who reviews for accuracy before forwarding to EF Recovery, the District's contracted third party vendor handling both billing and receipting. The Incident Report system calculates the ambulance billing fee based on information entered (i.e. distance traveled) and indicates residency, both of which are necessary for EF Recovery during the billing process. Additionally, Heather tracks all patients in Quicken, to include billing amounts forwarded to EF Recovery. Monthly, Heather reviews and sends the billing rosters (along with key information from the Incident Reports) to EF Recovery for review, billing and collection.

Heather receives monthly statements/bills from EF Recovery, detailing all patients billed, all funds receipted and all outstanding accounts. Quarterly, Heather reconciles:

- All patients billed to patients included in Quicken, verifying all patients included in Quicken were billed and billed for the correct amount. If patients are missing or differences noted, she will reach out to EF Recovery to ensure the patient is billed or investigate the difference. At times, during the billing process, EF Recovery will receive information (i.e. different home address - changing Union resident status) or direction from various insurance companies that may affect the billing amount. EF Recovery typically emails Heather to let her know if there are changes in any of the billing amounts and why.
- All receipts to the Mason County Treasurer Reports and verifies any outstanding balances. She follows up with EF Recovery if any differences are noted.

Although the District receives several reports from EF Recovery identifying patients billed, payments received and outstanding balance, EF Recovery does not provide copies of all correspondence from insurance companies, copies of checks, etc. For this reason, Heather visits EF Recovery and performs an audit every other year. During this audit, Heather selects 24 random patient to verify correct billing and receipting, reviewing all supporting documentation in detail. Heather additionally noted that EF Recovery receives several audits a year verifying compliance. She has never noted any concerns with EF Recovery.

Key Controls

1. As patients are transported by ambulance, Incident Reports are completed. All Incident Reports are filed with Heather, who reviews for

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accuracy before forwarding to EF Recovery for patient billing and receipting.

2. Quarterly, Heather reconciles all patients billed to patients included in Quicken, verifying all patients included in Quicken were billed and billed for the correct amount.

3. Quarterly, Heather reconciles All receipts to the Mason County Treasurer Reports and verifies any outstanding balances.

4. Additionally, Heather visits EF Recovery and performs an audit every other year. During this audit, Heather selects 24 random patient to verify correct billing and receipting.

Issues

ISS.1 - Procurement		
<i>Prepared By:</i>	DW, 2/13/2024	<i>Issue</i> The District updated its procurement policy in September 2023. Although we noted significant improvements in the policy, we identified the following areas for further improvement: <ul style="list-style-type: none">The policy correctly requires formal sealed bidding procedures for purchases over \$75,000 and public works projects over \$350,000. However, it does not include RCW references or details of requirements for formal sealed bidding procedures for either of these categories. This increases the risk that employees will not be aware of and comply with all requirements.The policy states the District will use the District's Limited Public Works Roster for public works under \$50,000 and will use the District's Small Works Roster for public works projects from \$30,000 to \$350,000. This can be confusing to a user of the policy since (1) there is overlap between the two categories for the \$30,000 to \$50,000 range, so an employee may not know which to follow and (2) it implies the District will maintain two separate rosters: a "Limited Public Works Roster" and a "Small Works Roster". However, under the RCW requirements, the same roster would be used for both thresholds, but different procedures would be followed for each. The overlap and misleading roster descriptions
<i>Reviewed By:</i>	ACS, 2/13/2024	
<i>Type:</i>	Accountability	
<i>Category:</i>	Procurement/Bid/Prevailing Wage	
<i>Reporting Level(s):</i>	Exit Item	
<i>Impact</i>		
<i>Cost Savings:</i>		
<i>Questioned Costs:</i>	\$0.00	

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	<p>increase the risk that employees will not understand and correctly follow the requirements.</p> <ul style="list-style-type: none">• The policy correctly references the small works roster RCW. However, the language in the RCW is rather difficult to follow, so it would be helpful to have the requirements clearly described in the policy to help ensure employees are aware of and comply with all requirements. <p>We also noted the District only had 12 days between original advertisement and bid opening rather than the 13 days required by law for its purchase of a light chassis truck in the amount of \$52,948.</p> <p>We recommend the District consider updating its policy to further clarify procurement requirements and expectations in order to ensure compliance with procurement requirements.</p>
NOTES	