

East County Park and Recreation District

General

Code: 64EastCounty-AC18
Name: East County Park and Recreation District
Group: LGS
Type: 64-Park and Recreation District
Location: Snohomish
Scope:

Team

Lead: Owen Thompson
Manager: Diana Windsor

Procedures

B.1.PRG - Assessment Audit

Procedure Step: Substantive Procedures - Non-School
Prepared By: OWT, 10/22/2019
Reviewed By: VAV, 10/23/2019

Purpose/Conclusion.*

East County Park and Recreation District

Purpose:

To perform substantive procedures to address risks related to the local government.

Conclusion:

Based on our review, we noted:

- No further work needed; our assessment resulted in the following recommendations:

Verbal - Voucher Numbers

Verbal - Procurement

Record of Work Done.

Substantive Testing Procedures

Entrance Conference – We contacted the audit liaison and discussed:

- a. Scope and timing of the audit
- b. Audit costs
- c. Expected communications
- d. Information about the assessment audit
- e. Information about the WA State Auditor's Office

See correspondence under **Communication Log** section of the **Concluding** procedure step.

Risks Identified in Planning

Lack of Effective Monitoring – For the vast majority of small special purpose districts, monitoring by management or the board is the key internal control over operations, since effective segregation of duties is usually not a feasible option. [This risk will be addressed in our review of the Schedule 22 and the District's internal controls over major accounting systems \(cash receipting, disbursement activity, etc\).](#)

Invalid / Inappropriate Payments – Many times, governments will not have effective segregation of duties over payment systems (payroll, accounts payable and imprest funds), making invalid or inappropriate payments a high-risk area. [This risk will be addressed in our disbursement review below.](#)

Misappropriation of Local Receipts (if applicable) – Local receipting may be a high-risk area if the volume of local receipting is expected to be significant and there is not effective segregation of duties over receipting and depositing of these funds. [This risk will be addressed in our](#)

East County Park and Recreation District

substantive procedures over revenues.

Financial Condition – Most miscellaneous governments are established to provide a specific service with limited revenue streams to a limited service area, making them susceptible to financial distress if risks are not managed. Auditors should use the financial condition report in LGCS to evaluate for inadequate or declining cash balances, unsustainable operations or significant outstanding debt. Auditors should also consider major events or contingencies that would negatively affect financial condition. [This risk will be addressed in our substantive procedures below.](#)

Planning Analytical Procedures and Substantiating Financial Information Reported

We reviewed both revenue and expenditure trends by account activity for reasonableness based on history and relevant information discussed in the minutes. We also compared the Schedule 01 to [County Treasurer Reports](#) third party documents. Per our review, financial data submitted to SAO materially agree to the financial activity of the local government.

AIC reviewed the Revenue and Expenditure Trends to verify the reasonableness of the revenues and expenditures reported by the District for 2017-2018. **AIC determined the revenue and expenditure trends appeared reasonable.**

See work here: [FinancialTrendTemplate](#)

AIC also compared the amounts of revenue and expenditure reported by the District on its Schedule 01s for 2017-2018 to the amounts reported by the County for the same years. **AIC determined the amounts reported by the District materially match the amounts reported by the County.**

See work here: [County and C4 Reconciliation](#)

Review Schedule 22 – Questionnaire (*Dual-Purpose Audit Procedure – Planning and Substantive Procedures*) – We reviewed entity questionnaire responses to identify potential accountability risks, non-compliance with state laws and unanswered/incomplete responses for follow-up. We also reviewed responses for indicators of inadequate controls over assets, revenues and disbursements. As the entity does distribute bills or receives funds, we further reviewed receipt-handling procedures and reconciliation independence.

	Question or Issue Identified	Resolution
1	The District incorrectly recorded no cash receipting but they did include a cash receipting policy.	The cash receipting policy includes independent reconciliation by the board treasurer. No further work performed.
2		

East County Park and Recreation District

3		
4		

Annual Report Submissions – We performed the following steps to determine whether the entity is in compliance with the annual report filing requirements (prescribed by the Budgeting, Accounting and Reporting Systems (BARS) Manual) and whether the submitted reports are complete:

- a. Reviewed the minutes to identify any cash grants that should be included on the Schedule 01 but were not, or any non-cash grants that should be reported on the Schedule 16 but were not.

AIC reviewed the District's meeting minutes for 2017-2018 and noted **no grant expenditures were made during any year of the audit period.**

- b. Reviewed the minutes and expenditure detail report to determine if loan payments were made but were not reported on a Schedule 09.

AIC reviewed the District's meeting minutes for 2017-2018 as well as the District's disbursements made during the period and **noted no loan payments were made during any of the years of this audit period.**

We further determined whether the entity submitted its annual reports within 150 days of fiscal year-end as required by RCW 43.09.230:

	Question	Answer Detail and Resolution
1	Annual reports filed timely?	YES
2	All schedules and requested supplemental information included with the annual report?	2017 Schedule 22 was empty due to the District being switched from accountability to assessment cycle after the annual report deadline. Received required documents upon request.

Disbursement Review – We reviewed the entity's expenditures for any unusual activity (such as transactions that could represent conflicts of interest or related-party transactions that have not been performed on an arms-length basis).

- a. After review of the expenditures, we did not see any expenditures that seem to be unusual or any conflict of interest that may have existed based on the information provided. Monthly payments to Double Eagle Landscaping (as this is a park district we assume this is normal costs), from a search on Secretary of State website it appears no commissioners are connected to business, no conflict of interest.

See document below for list of vendors and payments made. Most payments are made monthly for utilities, security, landscaping, and secretarial services. No vendor identified as an abnormal expense. (East County Expenditures for 2018)

East County Park and Recreation District

No issues were identified. We will pass for further review.

Procurement – During performance of the planning procedures and substantive procedures above, we noted no transactions that represent a risk of noncompliance with procurement requirements:

- a. After review of the expenditures, we determined that the District's transactions did not represent a risk of noncompliance with procurement requirements. **No issues were identified. We will pass for further review.**

Prevailing Wage Requirements – We considered details obtained from the minutes, expenditure listings, discussions and other relevant annual report materials, and noted no risk of noncompliance for prevailing wages:

- a. After review of the Schedule 22, we did not see any public works project so no prevailing wages needed to be paid. **No issues were identified. We will pass for further review.**

Financial Condition – We utilized the Financial Intelligence Tool (Fit) to assess the entity's financial condition and ability to remain a going-concern.

- a. After review of the Financial Intelligence Tool, we determined that the District met the suggested benchmark for all four indicator. **No issues were identified. We will pass for further review.**

You can see the work performed by clicking here: [FinancialIntelligenceTool](#)

Board/Commissioner Compensation – We reviewed the minutes, expenditure listings and other relevant annual report materials to determine if Board Member compensation packages are in compliance with statutory laws (the Office of Financial Management (OFM) has raised the allowable commissioner compensation up to \$114/day, as of July 2013, and up to \$128/day, as of July 2018, for certain government types - see [here](#) for 2013 list and [here](#) for 2018 list). We were also cognizant of additional payments made to governing body members during performance of planning and other substantive procedures.

- a. We checked that District commissioners are not receiving compensation as it is not allowed for Parks and Rec commissioners. **No issues noted.**

East County Park and Recreation District