



# Office of the Washington State Auditor

Pat McCarthy

## Minutes for Local Government Advisory Committee (LGAC)

June 17, 2020

State Auditors' Office

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### Attendees

#### **Members in attendance via GoToMeeting:**

Stacie Tellers (Chair, SAO), Alexa Johnson (SAO), Ann Lundeen (WACO), Brenda Sherman (WACO), Bret Brodersen (WFOA), Debbi Booher (WPTA), Debbie Zabell (WFOA), Derek Pohle (CRAB), Heidi Hunt (WACO), Jerica Pascoe (WFOA), Leo Kim (WFOA), Maggie Douglas (AWC), Michael Mann (LEAP), Mike Schaub (OFM), Shawn Hill (WACO), Sherrie Ard (SAO), Theresa Juel (WFOA),

#### **Absent members:**

Chase Donnelly (WFOA), Sheila Gall (AWC),

#### **Additional attendees:**

Cami Schmidt (Pierce Transit), Clifford Jo (Pierce County Library), Debbie Burton (SCCFOA), Jerry Pettit (WACO), Kathy Streissguth (Fire), Ken Andrews (SWFOA), Kim Noah (WPPA), Liz Passmore (Pierce Transit), Mitchell Kelly (SWFOA), Patricia Pepin (ESD), Paul Stone (ESD), Scott Goodrich (Ports), Shane Young (WPPA), Suzanne Coit (Transits), Tanya Robacker (Fire), Timothy Maule (Fire), Tracey Dunlap (WCMA)

Christie Cowgill (SAO), Debra Burleson (SAO), Kelly Collins (SAO), Kim Parsons (SAO), Mark Rapozo (SAO), Niles Kostick (SAO), Pat McCarthy (SAO), Rick Talbert (SAO), Ryan Montgomery (SAO), Tina Watkins (SAO)

### Call to Order

The LGAC meeting began at 9:00 am and was held via GoToMeeting. The meeting was called to order by Stacie Tellers.

### Welcome and Roll Call

Attendance taken via GoToMeeting attendee list.

### **Decisions of the State Auditor**

No decisions are required by the State Auditor.

### **Approval of Minutes from December 2019**

The minutes were previously distributed via the LGAC webpage on the SAO website: <https://sao.wa.gov/bars-annual-filing/local-government-advisory-committee/>. Motion to approve the December 2019 minutes as presented was made by Debbi Booher and seconded by Debbie Zabell. Motion passed unanimously by the committee.

### **SAO Executive Update**

Pat McCarthy stated that the LGAC is important to the State Auditor's Office (SAO). Member input allows SAO to hear from clients and associations. Working together helps improve and inform decisions. For example, last December a letter from Eastern Washington Finance Officer Association (EWFOA) expressed concern about not having more representation from eastern Washington local governments as well as cash basis governments. This type of communication provides the SAO an opportunity to hold crucial conversations and assists us in improving relationships and making decisions in regards to our work.

Ms. McCarthy relayed that filing deadlines have been extended to June 17, 2020. About 80% of governments have filed. *Editorial note: the deadline was further extended to July 1, 2020 after the committee meeting. No additional extensions occurred after the 7/1 date.*

She said that independent audits tell the story of government, providing an outside set of eyes. The mantra "document, document, document" is especially applicable during this pandemic, especially with the influx of federal dollars while normal revenue is reduced. Rules are changing. The good news is that we are not alone. There are concerns across the country. She suggested entities seek legal counsel if necessary, if you are small district there may be legal counsel available through associations. The most important thing to remember is transparency. Update policies to ensure compliance. Take screen shots of research and current guidance as it may continuously change. These efforts help to tell your governments story during this time and supports the decisions made by your government.

Tracey Dunlap expressed that CARES act rules are like shifting sands. While documentation is accurate, entities are looking for input on how SAO will approach the audit a year from now.

Ms. McCarthy answered that SAO is in conversations with the Washington State Association of Counties (WSAC) as well as other groups representing members. SAO is trying not to give mixed signals, but trying to be prudent and conservative. Entities need to follow the most conservative way to document. If rules change a couple days later, this is not helpful for entities. The goal for Commerce is to get money distributed, but there's a level of accountability that requires a prudent approach. While SAO is trying to provide accurate messages, we are also getting broad messages. But documenting is the common theme. Chronicling the logic of decisions will serve everyone well. Take screenshots.

Kelly Collins agreed. She stated the funds will be treated like any other federal award. There was not clear guidance on allowed uses and the funds were disbursed quickly. This is complicated for everyone. The best advice is to document the rationale, making sure it falls within guidelines. SAO will continue to share information and resources as it comes available.

Ms. McCarthy said SAO has been vocal at the national organization meetings. SAO is in discussions with people who have accountability, but federal leadership is flummoxed. Loosening internal controls can come back and cause problems.

Ms. McCarthy has been in meetings with different associations; information is accessible on the SAO web site. There is an SAO blog as well as the newsletter. There are tools available for non-audit side innovation in government.

Jerry Pettit commented the WSAC meeting was very good. He appreciated the opportunity to be part of the meeting. A big issue and question was the money going to businesses and how to document this situation; the association is working with Commerce to potentially get a Question and Answer sheet for entities. He appreciated the advocacy to the national associations and federal government for direction and clarification. There was frustration on how to manage the money and he appreciated the feedback to "document, document, document".

Pat thanked the committee for their time and support of the LGAC.

## **LGAC Bylaws and Membership**

### **A. Correspondence from EWFOA – Update**

Ms. Tellers expressed the SAO appreciation of the letter from EWFOA, which opened the door to discussions for representation from all over the state as well as CASH and GAAP governments on the committee. New perspective from a variety of governments is the goal as we revisit the committee makeup. There is ongoing outreach with EWFOA during this time as we work to develop relationships with the group.

### **B. Bylaws – proposed updates**

Ms. Tellers reviewed the proposed updates, clarifications, changes, and language that was expanded and cleaned up in the bylaws.

She discussed the proposed organization makeup. The goal is for the new membership organizations representatives be confirmed and begin in January 2021. Several organizations have been contacted to discuss adding and reducing their representation.

Ms. Collins stated SAO is trying to get diverse representation. Member representatives are from across the state, but regional associations needed official seats to be transparent and have a voice at the table. Not all associations have representatives, but there is potential to add more. There may be more changes by the next LGAC meeting in December as the conversations with associations continues.

Debbie Zabell asked about the reduced number of WFOA representatives and stated there are still no EWFOA members. She was also concerned the number of CASH representatives was dwindling. She suggested LGAC should have more representatives from CASH governments, so they feel represented to accept standards of changes to BARS updates.

Ms. Tellers said she met with the EWFOA board twice and that SAO offered them a position on the committee. The EWFOA board declined the position, stating they did not have capacity in order to fill the spot. It is understood that the EWFOA intended the position to be a board member placement and not necessarily an EWFOA member placement. Ms. Zabell stated that she will reach out to the board to discuss their decision to decline a position and offer herself up as and EWFOA representative. This would assist in freeing up a WFOA position.

Derek Pohle asked if SAO reached out to public hospital districts.

Ms. Collins answered that SAO did not reach out to all associations, just a cross section from the more active associations. There is potential to add more and we welcome suggestions. We especially are interested in additions to the committee that are from different regions of the state and underrepresented government types.

Michael Mann suggested JLARC for representation. Ms. Tellers thanked him for the suggestion and will add JLARC to the list for communications and discussion.

Jerry Pettit stated he had a good conversation with Ms. Collins and Keri Rooney prior to the committee meeting. He had a couple of concerns regarding the membership changes, some which were already discussed. One concern is that EWFOA wrote a letter stating there were not enough representatives on LGAC, but then declined to add members. When WACO (Mr. Pettit is the current president of WACO) appoints members their intention is to have two treasurer and two auditor representatives from the east and west sides of the state. By reducing their LGAC membership, Mr. Pettit feels that SAO would not have the eastern Washington representatives. His second point was to suggest having a representative from an irrigation district or junior taxing district that has land based elections. His third point was to address the concern of the reduced WFOA membership. Though he feels that WFOA should be more proactive in seeking out representatives from governments in which SAO is intending to bring onto the committee. He understands that SAO can request specific representation, however the association will nominate whomever is available or requests to be on the committee.

Ms. Zabell stated there are times when she can't make a meeting, especially in-person meetings. This might be part of the reason why some governments and associations don't want to commit to the LGAC. With the pandemic and the GoToMeetings virtual options, it allows people from all over the state to attend without the leaving office. This may help smaller entities attend more and be involved. It may help as well if the meetings are not three hours long, though that may not be possible since we meet twice a year.

Kathy Streissguth stated one issue with small CASH governments is that LGAC is weighted to discuss the GAAP side. It's not applicable to CASH and so it isn't helpful for them. CASH gets lost in the midst and it's hard to draw information to share and comment on when so much of it doesn't apply.

Ms. Collins stated this is one reason SAO wanted CASH representatives, so they have a voice. Then when there is a GAAP change we can hear how the requirement does impact the CASH reporting. We need help to understand how proposed changes effect the CASH world.

Ms. Streissguth asked how someone can tell if an LGAC member is CASH versus GAAP, knowing this would help if she wanted to reach out to someone who is looking at the same issues. Ms. Zabell stated this would also show that CASH governments are being represented on the committee.

Ms. Tellers responded that this was good suggestion. While the member list on the website had a name, entity, and organization, we can definitely add the basis of accounting for that representative's government. She will make this change and update the website by the end of June.

Mr. Pettit asked how the updated bylaws affect members who are at the beginning or middle of their LGAC term.

Ms. Tellers discussed the terms and term limits are addressed in the next section of bylaws. Existing committee members are invited to remain through their term. The updated bylaws suggest new members serve three years, though having some members serve a one time four year term to stagger representative term end dates and create a smoother transition during of members each year. Normally terms are three years, a member may serve two consecutive terms. Members who reach their two year term limit may return to the committee after a term break.

Jerica Pascoe inquired why her membership shows "pending" online. Ms. Tellers explained the process to fill vacancies: the organization submits a written nomination to chair, who confirms the nomination request, then forwards the nomination to Ms. McCarthy for official appointment. There has been a lag in this process due to the pandemic. Ms. Tellers assured Ms. Pascoe that her spot is confirmed and that the updated membership list will be posted by the end of June.

Ms. Tellers spoke about the updates to the attendance bylaws. A virtual meeting option allows members flexibility in their attendance options. Members must notify the chair in writing if they are unable to attend so that the absence is considered excused and allows for the Chair to request a substitute attendee appointed by the absent member's nominating organization. Anyone can attend the committee

meetings, but voting that is only allowed for members and their substitutes. Additional proposed changes to the current bylaws is that after failing to attend two consecutive meetings, instead of three, without proper notification SAO will contact the nominating organization and request a new nomination for the committee. It is the organization's duty to notify the member being replaced.

Ms. Zabell suggested LGAC have four meetings per year. Meetings currently take the full allotted time, but agreed with the earlier comment that conversations with GAAP do not always apply to Cash. Ms. Streissguth and Ms. Sherman agreed that more meetings would allow for more timely updates.

Ms. Tellers stated that the current schedule allows for the Spring meeting to bring the proposed updates to the BARS manuals that will be occurring in December/January to the committee for discussion and review. The Fall/Winter meeting provides the final and complete updates for the BARS manuals as well as the annual BARS update list for the next year. The SAO can revisit and discuss what additional meetings would look like for the committee and bring back to the committee in December proposals.

Ms. Collins asked if there are four meetings a year, would members want to propose shorter meetings. Response, it would depend on the agenda and topics.

Ms. Tellers stated SAO recognizes there are months that are harder for members to attend meetings, especially April and May and around holidays.

Ms. Streissguth suggested something at beginning of year to prepare before everyone gets going. This gives more opportunity for input and time to disseminate information. There seems to be a time lag currently. Ms. Tellers reminded the committee that BARS manual updates done in January are discussed in the prior year committee meetings. Spring information is for the next update. Fall is for the coming year updates. An earlier meeting in the year would allow more time for the next year updates to be disseminated.

Ms. Pascoe suggested continuing to have LGAC via GoToMeeting would help. There would probably be more involvement. She normally would drive to meetings instead of call in because she could not hear with background noise. It required a significant time commitment to travel.

Ms. Tellers stated she will take back to the BARS team the topic of the meeting schedule and prepare options to bring to the committee at the next meeting. The

committee could test out three meetings in the next year to see if that works for the committee's needs.

Ms. Tellers ask if there were additional comments, questions, or concerns regarding the proposed bylaw changes.

There were no more comments, feedback, or suggestions.

Ms. Tellers stated she hoped to bring a final draft of the bylaw changes for approval at the December meeting. The new bylaws would be effective January 2021.

### C. Membership – proposed changes

Ms. Tellers stated that the majority of the membership discussion occurred in the overall review of the bylaw edits. Two additional items to the membership that weren't already covered are the change to the SAO membership from three to one. Additionally, a reminder that the chair, who is from SAO, does not vote unless a tie breaker is necessary.

## **BARS-Updates and Discussion**

### A. Accounting Delayed Implementation

- i. See Accounting Delays webpage

Ms. Tellers demonstrated where to find the *Accounting & Reporting Implementation Delays* webpage.

On June 7, the GASB voted to make changes to implementation. SAO created a webpage as a resource for the changes in implementation dates on the new requirements, as well as resources related to these delays. Some of the delayed items were implemented in BARS in January 2020, therefore we have provided the pre-January 2020 BARS pages in regards to the implementations that have been delayed and were already in BARS. Future BARS implementations related to the delayed accounting standards will be also be delayed in order to provide consistent accounting standard guidance.

There is also a new *COVID-19 Accounting and Reporting* webpage, broken down by CASH and GAAP, with links.

Deborah Booher stated she used the fiduciary funds testing, as recommended by GASB. However, the auditor used a different test. Can we see auditor's test and tools ahead of the audit?

Ms. Collins stated while everything SAO does is public, specific testing strategies are generally not provided. What the office can do is provide general information and guidance to governments either via an article "*Testing for Fiduciary*" or other means.

**B. BARS Update**

i. Annual update list

Christie Cowgill spoke in detail about the *Annual BARS Update List* handout. Current topics include clarification, coding updates, formatting changes, and reporting changes.

Ann Lundeen asked how specific will get with fiduciary funds and external investment pools (clarification topic) in BARS. Will it be in with the audit testing strategies that the auditors will be using during the audit?

Ms. Cowgill answered that SAO will match testing strategies to the BARS guidance.

ii. Formatting example – present draft BARS Webpages

Ms. Cowgill demonstrated footnotes and jump links, which is like a mini table of contents within a BARS section. SAO is trying to make sections manageable and easier to locate information, especially in many of the larger BARS sections.

Bret Brodersen stated the demo needs a "Back To Top" feature to assist in quick navigation of the page. Otherwise the jump links look good. The setup is similar to SAAM.

Ms. Tellers asked for a vote from the committee to recommend to SAO to work on changing BARS pages to include jump links.

Suzanne Coit made a motion for SAO to implement the jump link changes. Ann Lundeen seconded. Motion passed unanimously.

iii. Formatting example – footnote in Indirect O/H Allocation page

Currently BARS includes non-authoritative resources, including GASB, GFOA, and SAO articles as well as other resources, are included within paragraphs of the online manuals. Ms. Cowgill proposed the non-authoritative items in a footnote section at the bottom of the specific BARS page instead within the authoritative paragraphs of the section.

There were requests to add additional information to this new area, such as links to cost allocation resources from MRSC and related videos.

Ms. Coit suggested changing the name of the new area to “Other” or “Additional Resources”, since footnotes are generally perceived as the footnotes to the financial statements or notes.

The committee preference is to name the area: Additional Resources

Ms. Tellers said the BARS Team will make the recommended adjustments and present the final draft at the December meeting.

### **SAO Resources and FIT Q&A**

Niles Kostick presented a PowerPoint of *SAO Resources Update*.

Mr. Kostick showed the contrast of resources and articles in the Audit Connection and the SAO Blog for January and February compared to March forward, as a result of COVID-19.

The Center is spending time researching and addressing the risks as a result of COVID-19, but they would like to hear from members about what may be going on in their government so that SAO could possibly address those issues. It is likely members are not the only ones encountering the issues.

The Center is updating checklists and is requesting external reviewers to provide feedback on the checklists for Cash Receipting, Payroll, and Accounts Payable.

Kathy Streissguth, Timothy Maule, and Mitchell Kelly volunteered to review any checklist. Debbie Zabell volunteered for any of the checklists, with a preference for Payroll. Patricia Pepin volunteered for any of the checklists, noting she represents

ESD and School Districts. Ann Lundeen volunteered for Cash Receipting. Heidi Hunt volunteered for Accounts Payable.

Mr. Kostick then discussed cybersecurity considerations. He showed where to find the Audit Connection Blog at the top of the SAO web page.

He reviewed FIT (Financial Intelligence Tool) and updates that are coming to the data tool. He explained that the tool will now have a user sign in option. Once you sign in, you will have a custom view access to your data. The public will see a snapshot, but you will be able to see the details on a variety of topics for your entity. Mr. Kostick spoke in detail about different views of the data submitted to SAO, such as the Schedule 1 data. Some of the new options are still in beta testing.

The next item discussed was the input-driven indicator remapping. Based on feedback, indicators are now by fund. There are also graphs available.

There were questions about data currently being displayed is from 2018. Mr. Kostick explained that this is because 2019 data is not released yet, as that annual filing deadline has been extended and governments are still filing. The office will send an announcement in the Blog when the new year data is available. Before 2019 is released there will be series of introductions and explanations of the new features, which are for authenticated clients.

Mr. Kostick credited LGAC and other governments that provided suggestions and feedback. If there are any more, contact him through email at [center@sao.wa.gov](mailto:center@sao.wa.gov).

### **Open Discussion**

There was a request to fix the print function on Schedule 22. Ms. Cowgill will follow up on this item.

Ms. Zabell expressed concern with what will happen when Toni at MRSC retires. Does SAO have a plan to fill that void? Ms. Zabell said MRSC is the helpdesk for cities and provides detailed accounting and reporting support. This used to come from SAO.

Ms. Tellers answered that the technical inquiries to SAO can only provide a certain level of guidance, since we are auditors and have to be independent. SAO cannot provide individualized support on accounting transactions and financial statement

preparation as that may hinder that independence. Toni has said she is retiring for a while and to our knowledge she has not provided an official date. SAO can begin the discussions with MRSC about their transition plans.

Ms. Collins said that at this time we don't plan to add a position at SAO that would provide the type of service Toni and MRSC is currently providing. We are looking at ways to partner with MRSC and provide other similar resources.

Ms. Tellers said that the free SAO webinar trainings will continue in the new GoToWebinar platform. We are able to record these trainings for future viewings and make them available for free on the website. SAO continues to look for ways to provide timely updates.

Ms. Ard said the Center has a financial specialist. Anyone can contact them at the email [center@sao.wa.gov](mailto:center@sao.wa.gov).

There was no other discussion.

**Next Meeting:**

Wednesday, December 9, 2020 9:00 am-12:00 pm

Meeting adjourned at 11:51 am.

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*Minutes approved by the Committee on December 9, 2020*