

WSACA Finance Conference Meetup

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Office of the
Washington
State Auditor
Pat McCarthy

Today We Will Cover

- **Common audit issues for fiscal year 2020**
- **Required risks to assess**
- **Emerging issues**
- **Helpful resources**



Issue by Category for Counties



Area of Issue	ML	Finding
Financial Statement Preparation	9	11
Procurement (Highway Planning) – federal single audits	1	3
Allowable Activities/Allowable Costs – federal single audits		3
Period of Performance – federal single audits	1	3
Reporting - federal single audits		1
Subrecipient monitoring – federal single audits		5
Suspension and debarment -federal single audits		1
Davis-Bacon Act (prevailing wage rate) - federal single audits		1
Rural counties sales and use tax	1	
Segregation of Duties	1	
Procurement - purchases and public works	3	
Financial Condition		1
Cash receipting	2	
County Road Fund	1	



Audit Issues



We will focus on the following Issues:

- Federal Procurement
- Federal Suspension and Debarment
- Federal Period of Performance
- Coronavirus Relief Fund Issues
- Financial Statement Preparation
- Rural Counties Sales and Use Tax

Audit Issues



Federal Procurement

- The entity's procurement policy must specifically address what procurement procedures are followed when using federal funding and be the most restrictive of state, local and federal.
- The entity must have written standards of conduct that cover conflicts of interest



Audit Issues



We found issues with:

- No policy or procedures in place or too limited. Also missing thresholds from the procedures.
- Standards of Conduct Policy (conflict of interest) also missing in some cases

We also had a few issues with non-federal procurement. The Center has developed a bidding and buying guide resource to help with this area.

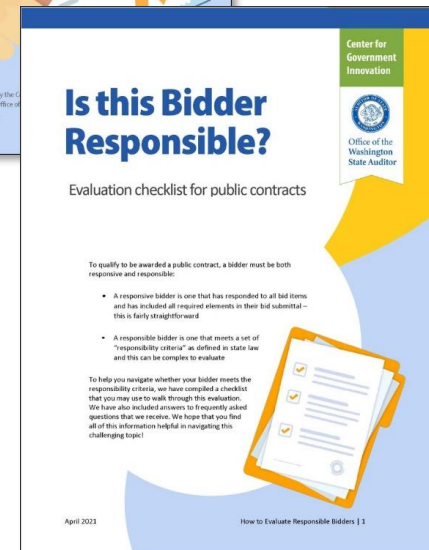
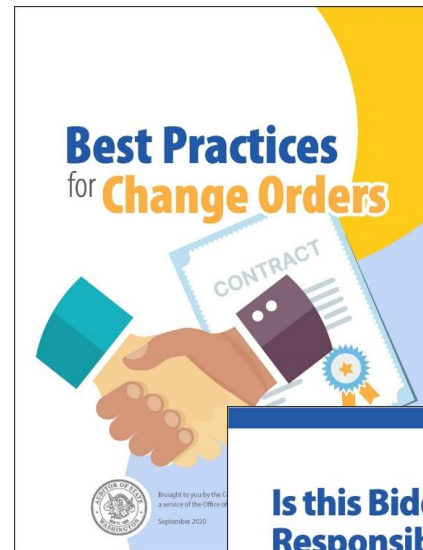
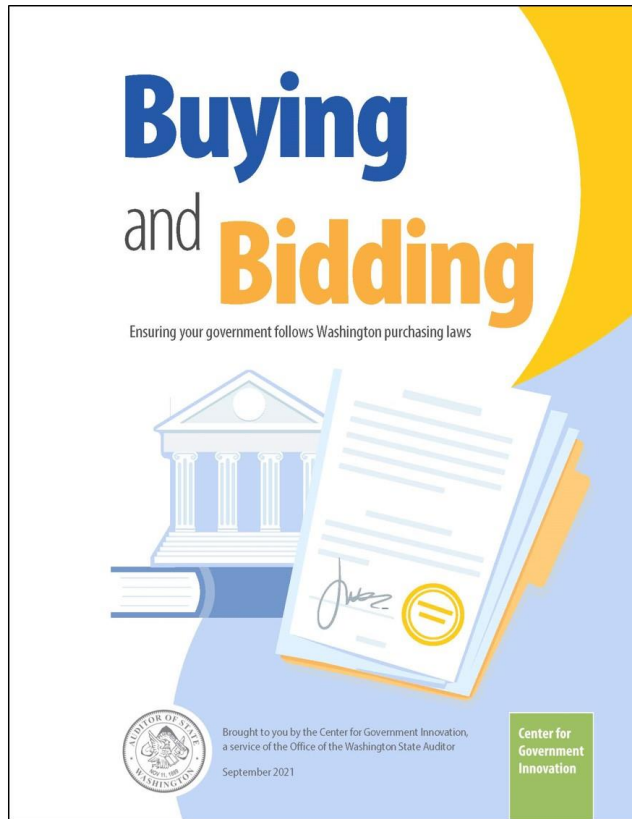


Center resources

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Audit Issues



Federal Suspension and Debarment

- Required for all new contracts (purchases) over \$25,000 and all new subrecipient contracts (no threshold)
- Verification can be a clause in contract, review the Excluded Parties List System (EPLS) or written certification from contractor



Audit Issues



We found Issues with:

- Not checking all contractors or sub contractors over \$25,000 or not retaining evidence



Audit Issues



Period of Performance – federal single audits

- Each grant award specifies a period of performance period during which program costs may be obligated or liquidated
- Federal requirements prohibit recipients from charging costs outside of the period without prior approval from the grantor



Audit Issues



We found Issues with:

- Counties requesting and receiving reimbursement for expenditures whether prior to the grant period starting or after the grant period ended



CRF Audit Issues



Subrecipient Monitoring

- A risk assessment needs to be performed for each subrecipient
- Ensure the subrecipient contracts include all the required elements
- Ensure subrecipient expenditures are reviewed to ensure they are for allowable costs



CRF Audit Issues



Allowable Costs

- Issues with clients charging indirect costs to the grant, which is unallowable
- Issue with charging permanent capital improvements to the grant
- Payroll costs that could not be directly tied to COVID-19 (lack of documentation is part of the issue)





Blog articles on SAO's website



Lack of subrecipient monitoring is leading to an increase in audit issues. Learn what you can do today

NOVEMBER 30, 2021

Earlier this summer, SAO published an article on subrecipient monitoring with information on the various requirements. But as governments continue to make subawards using funds from the Coronavirus Relief Fund or the Coronavirus State and Local Fiscal Recovery Fund, we want to emphasize some important points your government should keep in mind so you can avoid audit issues in the future. ...

[CONTINUE READING →](#)



Is your contractor banned from receiving federal funds? Don't wait to find out.

AUGUST 24, 2021

Some contractors are banned from doing business with the federal government, and it's your job to know who they are. If you use federal grant money to pay a banned contractor, you risk auditors questioning your spending. Even worse, you might have to repay that money to your federal grantors. ... [CONTINUE READING →](#)



Sharing your federal money with other agencies? Do your homework first

JULY 22, 2021

With the recent and continued influx of federal funding, you might make more subawards than in the past. Passing along your money to others doesn't relieve you of grant compliance requirements – it actually adds responsibilities for you to monitor your subgrantees. ... [CONTINUE READING →](#)

How to search for blog articles



The Audit Connection Blog Coronavirus Public Records Client Login

Office of the Washington State Auditor
Pat McCarthy

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- ACFR
- Announcements
- BARS
- Center for Government Innovation
- CyberSecurity
- Cybersecurity Awareness Month
- Financial

Are your federal program reports accurate, complete and on time? Here are tips for a clean audit

MARCH 23, 2022

Almost every federal program, including new programs related to COVID-19 economic relief, has reporting requirements for recipients. That's because federal granting agencies rely on your reports to ensure you are using funds to achieve program objectives and to make future funding decisions. ... [CONTINUE READING →](#)


How to avoid surprises during your audit of cash and investments

MARCH 16, 2022

It's not uncommon for a government to have multiple bank or investment accounts with different staff or departments reconciling them. That's okay, but keep in mind there can be risks when different people are involved with reconciling several accounts. ... [CONTINUE READING →](#)

WFOA non-conference education



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Non-Conference Education

The mission of the WFOA Education Committee is to provide Washington public entities and their staff with professional training in finance, budgeting, accounting, reporting, and other relevant fields. This professional training provides budget and finance professionals the opportunity to meet face-to-face, exchange ideas with others, and enhance their knowledge which will assist them in promoting the professional management of government financial resources. The professional educational opportunities also enable our members to maintain their status as Professional Finance Officers, CPAs, and/or other similar professional designations. If you would like to join the Education Committee, please contact Deb Booher at <mailto:dbooher@cityofpoulsbo.com> or (360) 394-9720. You may also direct questions or suggestions regarding the Non-Conference Education program to Deb using the contact information above.

Upcoming 2021-22 Educational Opportunities

WFOA – Training

- ♦**State Auditor Budgeting, Accounting, Reporting Systems (BARS)/Cash Basis –**
Webinar – 9:00 – 4:00 with a break from 12 – 1 – 6 CPE – Member \$75/Non-member \$100

→ Wednesday, March 2, 2022- [Click here to register](#)
- ♦**State Auditor Budgeting, Accounting, Reporting Systems (BARS)/GAAP Basis –**
Webinar – 9:00 – 4:00 with a break from 12 – 1 – 6 CPE –Member \$75/Non-member \$100

→ ~~Will be scheduling for the fall.~~
- ♦**Federal Award Requirements Class (Includes Grants) –**
Will include information for the updated Uniform Guidance effective 11/12/20 and COVID -19 SEFA reporting

Webinar – 9:00 – 4:00 with a break from 12 – 1 – 6 CPE – Member \$75/Non-member \$100

→ Wednesday, May 25, 2022 [Click here to register](#)

Audit Issues




Financial Statement Preparation

- This can be caused by a variety of reasons for the misstatements identified during the audit. Typically results from some issue with the controls for financial statement preparation or review.

The Center has an updated resource to help!

Checklist: Cash financial statement prep



 Center for Government Innovation					
Internal Control Checklist for Cash Basis Preparers					
Date of Review:					
Completed by:					
Key recommendations:					
<p>Instructions: Use this checklist to help prepare and review financial statements prepared in accordance with the Budgeting, Accounting and Reporting System (BARS) Cash Basis Manual. Complete this <u>optional</u> checklist before filing your annual report with our Office.</p>					
Category	Question	Yes	No	N/A	Comments
Journal entries	1 Are all journal entries completed, supported and reviewed by someone other than the preparer?				
General ledger reconciliation	2 Are the subsidiary ledgers reconciled to the general ledger (the ledger on which the financial statements are based) regularly? <i>Note: Subsidiary ledger information generates source information included in the general ledger, such as a utility billing system; reconciliations can identify discrepancies or posting errors that might reflect inaccurate information.</i>				
	3 Have the general ledger cash and investment balances been reconciled each month with third-party documents (such as bank statements or county treasurer reports)? (BARS 3.1.9.3)				
	4 Have the general ledger revenues been reconciled to total cash receipts, as shown by banking or county treasurer records? <i>Note: Maintaining a list of reconciling amounts between cash receipts and revenues will help in performing a proof of cash, providing amounts for Schedule 06 and detecting irregularities.</i>				
	5 Have the general ledger expenditures been reconciled to total cash payments, as shown by banking or County Treasurer records? <i>Note: Maintaining a list of reconciling amounts between cash payments and expenditures will help in performing a proof of cash, providing amounts for Schedule 06 and detecting irregularities.</i>				
	6 Does the general ledger reflect all of the local government's activity? <i>Note: For example, if the court has a separate bank account, then the cash and related activity should be included in the general ledger and the financial statements.</i>				
	7 Does someone other than the preparer of the reconciliations monitor to ensure they have been completed accurately and in a timely manner?				
	BARS changes	8 Have staff reviewed the "Overview of changes" in the BARS Manual as well as any BARS Alerts sent out during the year? <i>Note: A best practice is to review for changes early in case they require time to implement.</i>			
9 Have appropriate staff attended a recent BARS training? <i>Note: Some options are an in-depth BARS Cash training at WFOA.org (under non-conference education) or our Office's annual BARS Cash Update found at https://saw.wa.gov/bars-annual-align-filing-training-and-workshops or clearings.</i>					






Updated January 2022

New questions on local loan programs, bond refunding, OPEB, asset retirement obligations, and pollution liabilities



Office of the
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Checklist: GAAP Financial Statement Prep

Center for Government Innovation			
Checklist for Preparing Financial Statements for Local Governments reporting under Generally Accepted Accounting Principles (GAAP)			
In preparation for year-end close		Yes/No	Notes
1	<p>Has management conducted a risk assessment over financial reporting and related internal controls to identify potential problem areas that might require additional planning to address?</p> <p> <i>A best practice is to conduct this analysis well in advance of year-end to allow sufficient time to plan for changes that are ahead.</i></p> <p><i>Our office offers a resource: a financial reporting risk assessment worksheet that local governments can use to get started.</i> portal.sao.wa.gov/PerformanceCenter/%/address?mid=6&rid=18514</p>		
2	<p>Has management recently reviewed accounting policies and evaluated whether any policy updates are needed?</p> <p> <i>MRSC, in partnership with our Office, has developed online resources for developing financial policies and procedures: mrsc.org/Home/Explore-Topics/Finance/Finance-Policies/Financial-Budget-Policies.aspx</i></p>		
3	<p>Have the appropriate staff involved in the preparation of financial statements reviewed the BARS Manual's "Overview of Significant Changes" to ensure changes have been implemented?</p> <p> <i>It's important to review these changes at the beginning of each year because some might require early action to implement.</i></p> <p> <i>In addition, our Office sends updates as BARS Alerts to subscribers. To sign up for news and alerts, www.sao.wa.gov/about-sao/sign-up-for-news-alerts/</i></p>		
4	<p>Are implementation plans in place for accounting or reporting changes?</p> <p> <i>Our office provides a "Checklist for Accounting Standard Change," to help local governments plan to implement changes in GASB standards at portal.sao.wa.gov/PerformanceCenter/%/address?mid=6&rid=18505.</i></p> <p><i>There is also a resource over implementing new GASB standards at portal.sao.wa.gov/PerformanceCenter/%/address?mid=6&rid=18510</i></p>		

A customizable checklist to help ensure that important steps are not missed when preparing financial statements

Audit Issues

Rural Counties Sales and Use Tax

- The funds collected must be used to finance public facilities serving economic development purposes in rural counties and to finance economic development offices.

We found issues with:

- A lack of adequate oversight over projects completed by Ports, Cities and Towns.
- Unallowable use of funds.



Audit Issues

Rural Counties Sales and Use Tax

- Counties must consult with cities, towns and port districts regarding projects.

We found issues with:

- This consultation has not taken place.



Audit Issues

Rural Counties Sales and Use Tax

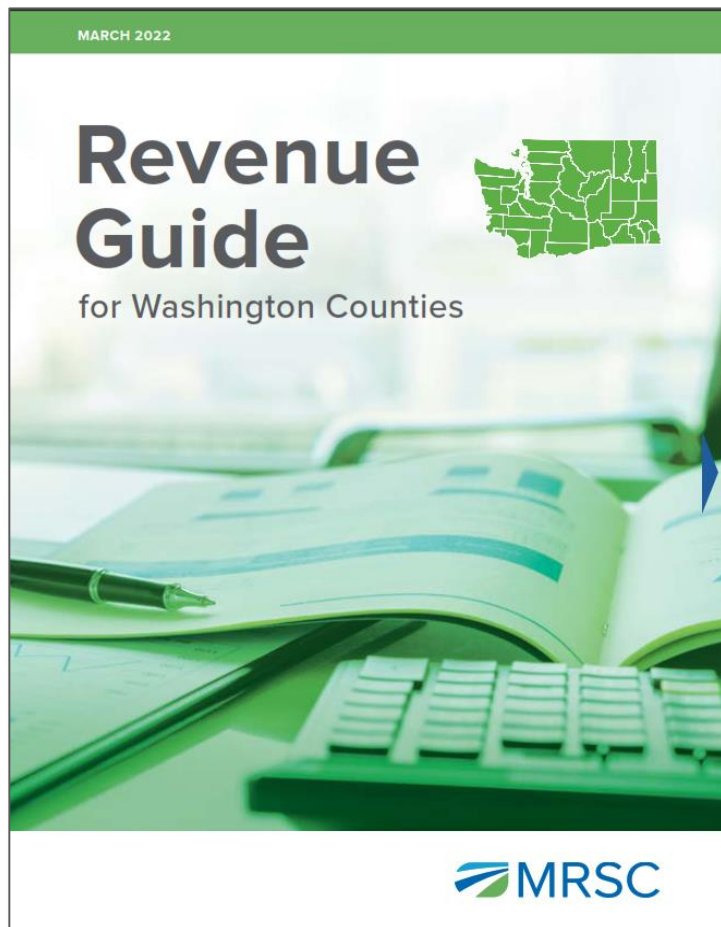
- Eligible projects must be listed as an item in an economic development plan, the economic development section of a comprehensive plan, or a capital facilities plan of a County or City/Town.

We found issues with:

- The applicable plans not including the approved projects as required by law.



Revenue Guide



Center for
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Office of the
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Updated March 2022

Developed by MRSC in
partnership with the Center for
Government Innovation

Required Risks To Assess



Electronic Funds Transfer (EFT) Controls

- We are testing controls on all audits due to increase in number of payroll and vendor EFT cyber related fraud
 - School District example
 - Direct deposit example

Blog articles



How to prevent ACH and bank fraud

NOVEMBER 18, 2021

Automated Clearing House (ACH) frauds have been on the rise for a while, and we want to tell you some simple steps you can take to properly verify ACH and payroll bank account changes before making changes. ... [CONTINUE READING →](#)



Looking for new ways to electronically pay employees? Learn about payroll cards

JANUARY 25, 2022

Traditionally, local governments have had two options to pay their employees: by direct deposit or by paper check. But these options may not work well for everyone. Not all employees have bank accounts, which makes direct deposit impossible. For these employees, cashing payroll checks can be difficult, inconvenient and costly. Checks are expensive for local governments, too, and they create additional work if employees lose them or don't cash them for extended periods of time. ... [CONTINUE READING →](#)

Required Risks To Assess

Restricted Funds

- There are several areas of risk our auditors consider in planning. Counties receive lots of different streams of revenues that have restrictions on them.



Required Risks To Assess



Financial Condition

- This is a typical area we audit each year for a County, but for fiscal year 2021 we are also talking to clients about potential effects on Counties for future years from the pandemic
 - Subsequent event disclosure in Notes to the Financial Statements

The Center has updated a resource to help look at this for your County.

Check your government's financial health

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Cash Governmental Indicators by Government, 2018-2020 [New Search](#)

Cash Governmental Indicators by Government, 2018-2020

Governmental Indicators for Cash County governments.

	2018							2019		
	General Fund			All Governmental Funds				General Fund		
	Cash Balance Sufficiency (days)	Change in Cash Position (%)	Governmental Funds Sustainability (%)	Cash Balance Sufficiency (days)	Change in Cash Position (%)	Governmental Funds Sustainability (%)	Debt Load (%)	Cash Balance Sufficiency (days)	Change in Cash Position (%)	Governmental Funds Sustainability (%)
Adams County	173	-4	7.8	324	3.4	20.4	0.7	187	13.2	10
Asotin County	131	-7.8	-2.9	278	-0.1	5	4.7	124	-3.1	
Clallam County	133	15.8	5.3	248	-4.5	7.5	0.1	154	13.6	4
Columbia County	250	23	11.1	263	30.5	30.1	1.1	223	-6.4	2
Douglas County	193	27	24	385	7.4	12.9	2.1	233	34.4	24
Ferry County	180	10	9.6	197	4.1	15.4	0	171	-4	
Garfield County	431	16.9	-4.6	532	9.5	19.4	0	399	0.7	-8
Grant County	95	36.9	6.7	188	4.4	11.9	2.6	120	31.1	6
Grays Harbor County	70	3.2	-2.7	215	8.2	13.2	1.7	74	11.2	-3
Jefferson County	92	17.2	11.4	196	6.9	11.1	2.4	125	36.7	14
Klickitat County	473	7.6	17.4	377	9.8	18.1	0.6	323	-13.6	5
Lincoln County	130	13.1	0.4	117	-0.5	26.6	1.3	144	8.9	-2

Emerging Issues



State vs. Blake

- Convictions of simple possession of controlled substances were deemed unconstitutional and voided (this goes back to 1971).
- State Treasury to be used to help cover state and local costs.
- Administration of the Courts (AOC) may develop reports to help identify the cases impacted.

Emerging Issues



State vs. Blake

- Each County should make their own legal determination as to whether they believe this is the counties liability or the states liability, once the state allocation is depleted and there are still monies that need to be paid.
- Once the legal determination has been made our office can help with the account coding. Send questions through our help desk and Christie Cowgill from our Local Government Support team will respond.

Emerging Issues



State vs. Blake

- Counties don't have a full estimate of the potential liability for this issue. We would not expect for any County to be disclosing an amount in their notes for fiscal year 2021.
- There is already a template for a contingent liability note for both cash and GAAP in the BARS manual that counties could use to disclose the information about this issue.

Emerging Issues



State vs. Blake

- Cash – Note X – Other Disclosures. There is a bullet point for “contingencies and litigations” with some explanation of what to disclose
- GAAP – Note X – Contingencies and Litigations. There is some explanation and guidance in this section of what to disclose.

SAO's weekly e-newsletter

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Time to whip up your annual report?

Then you won't want to miss SAO's free filing webinars. Learn about the report's components and how to submit it online.

Cash: March 22 & April 19 | GAAP: March 23 & April 20


[Register now!](#)

New things we would like you to know



How to avoid surprises during your audit of cash and investments

It's not uncommon for a government to have multiple bank or investment accounts with different staff or departments reconciling them. That's okay, but keep in mind there can be risks when different people are involved with reconciling several accounts. SAO offers tips to help you



Did your government receive SLFRF funds?

The U.S. Department of the Treasury issued updated reporting guidance on Feb. 28 regarding the State and Local Fiscal Recovery Funds (SLFRF) program. The one-time decision to claim the "standard allowance" for revenue replacement must be done during the April 30 reporting deadline. You can find more

Delivered to your inbox!

- SAO's newest guides, best practices, checklists
- BARS, SLFRF updates
- Training from SAO and other WA organizations
- Roundup of relevant government news you may have missed

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Are your federal program reports accurate, complete and on time? Here are tips for a clean audit

MARCH 23, 2022

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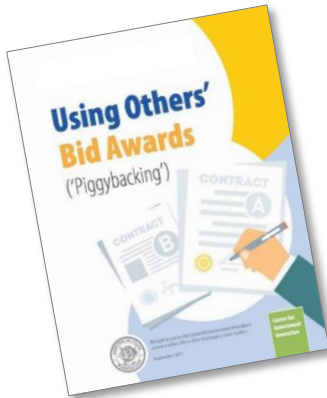
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Coming soon

Updated resources



- Using Others' Bid Awards (Piggybacking)
- Federal Programs Risk Assessment Checklist
- Financial Reporting Risk Assessment Checklist

New resources



- Accounts Receivable Guide
- Accounts Receivable Checklist

About the Center

**We offer tools
and services to
help local
governments
solve problems
and improve
operations**



Your own toolbox
for success, and
it's all yours at
no cost!

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Center services



Lean facilitations & trainings



Team-building workshops



Financial Intelligence Tool (FIT)



Technical advice

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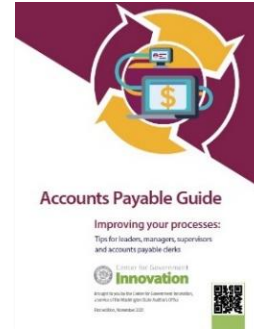
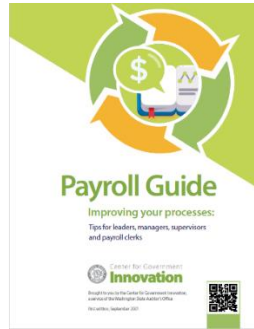
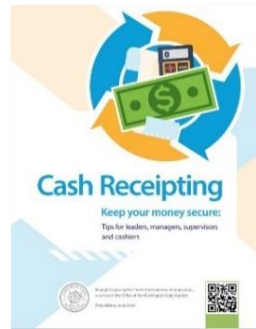
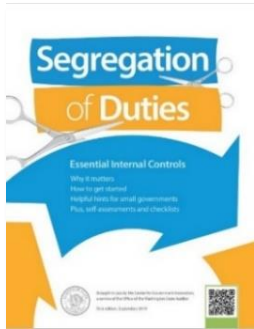
Resource Library

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Internal controls



Cybersecurity

Government Operations



BARS and Accounting Training and Resources



Annual Filing Workshops and Training

GAAP Webinars

- ✓ March 23, 2022 9:00 – 11:00 AM
- ✓ April 20, 2022 1:00 – 3:00 PM

Cash Webinars

- ✓ March 22, 2022 9:00 – 11:00 AM
- ✓ April 19, 2022 1:00 to 3:00 PM

Questions



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