



# Office of the Washington State Auditor

---

## Pat McCarthy

### **Entrance Conference: Port of Tacoma**

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share our planned audit scope so that we are focused on the areas of highest risk. We value and appreciate your input.

#### **Audit Scope**

Based on our planning, we will perform the following audit:

#### **Accountability audit for January 1, 2017 through December 31, 2017**

We will examine the management, use and safeguarding of public resources to ensure there is protection from misuse and misappropriation. In addition, we will evaluate whether there is reasonable assurance for adherence to applicable state laws, regulations and policies and procedures.

Once we have completed our planning for this year's audit we will communicate specific areas for our audit focus. Typical areas that are evaluated for potential review:

- Insurance/risk management
- Cash receipting
- Payroll/Overtime
- Purchase cards
- Contracts
- Small and attractive asset inventory –  
such as tools

#### **Engagement Letter**

We have provided an engagement letter that confirms both management and auditor responsibilities, and other engagement terms and limitations. Additionally the letter identifies the cost of the audit, estimated timeline for completion and expected communications.

#### **Work of Other Auditors**

A financial statement audit was performed by RSM.

In accordance with professional standards, we considered the audit report and audit work performed by the other auditors in the planning of our audit. This includes communicating with the other auditors, evaluating the quality and results of the other auditor's work, and identifying areas that could affect our audit, including those in which we could leverage the work already performed.

Accountability audits differ in scope from financial statement audits. Financial statement audits determine if amounts reported in the financial statements are fairly stated and materially accurate. In contrast, accountability audits determine compliance with laws, regulations and the entity's own policies and procedures in areas selected for testing, as well as determine if public assets are safeguarded against misuse or abuse.

The accountability audit may include some of the same areas covered in the financial statement audit. However, due to the objective for accountability audits, the audit will approach and test these differently and not duplicate work already performed.

## **Levels of Reporting**

### **Findings**

Findings formally address issues in an audit report. Findings report significant deficiencies and material weaknesses in internal controls; misappropriation; and material abuse or non-compliance with laws, regulations or policies. You will be given the opportunity to respond to a finding and this response will be published in the audit report.

### **Management Letters**

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other issues with significance to the audit objectives. Management letters are referenced, but not included, in the audit report.

### **Exit Items**

Exit items address control deficiencies or non-compliance with laws or regulations that have an insignificant effect on the audit objectives. These issues are informally communicated to management.

## **Important Information**

### **Confidential Information**

Our Office is committed to protecting your confidential or sensitive information. Please notify us when you give us any documents, records, files, or data containing information that is covered by confidentiality or privacy laws.

### **Audit Costs**

The cost of the audit is estimated to be approximately \$40,000, plus travel expenses.

### **Expected Communications**

During the course of the audit, we will communicate with Darren Arakaki, Director of Accounting & Port Auditor, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed.

Please let us know if, during the audit, any events or concerns come to your attention of which we should be aware. We will expect Darren to keep us informed of any such matters.

### **Audit Dispute Process**

Please contact the Audit Manager or Assistant Director to discuss any unresolved disagreements or concerns you have during the performance of our audit. At the conclusion of the audit, we will summarize the results at the exit

conference. We will also discuss any significant difficulties or disagreements encountered during the audit and their resolution.

### **Loss Reporting**

State agencies and local governments are required to immediately notify our Office in the event of a known or suspected loss of public resources or other illegal activity. These notifications can be made on our website at <http://portal.sao.wa.gov/saoportal/public.aspx/LossReport>.

### **Peer Reviews of the Washington State Auditor's Office**

To ensure that our audits satisfy *Government Auditing Standards*, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA). The most recent peer review results are available online at <http://www.sao.wa.gov/about/Pages/PeerReviews.aspx>. Our Office received a “pass” rating, which is the highest level of assurance that an external review team can give on a system of audit quality control.

### **Working Together to Improve Government**

#### **Audit Survey**

When your report is released, you will receive an audit survey from us. We value your opinions on our audit services and hope you provide us feedback.

#### **Local Government Support Team**

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

#### **Performance Center**

The Performance Center is a resource for local governments that need to solve problems, reduce costs, and improve the value of their services to citizens. The Center offers training and tools to help local governments improve performance and effectiveness.

#### **Audit Team Qualifications**

**Kelly Collins, CPA, Director of Local Audit** – Kelly has been with the Washington State Auditor's Office since 1992. In her role, she oversees the audit teams which perform the audits for over 2,200 local governments. She serves on the Washington Finance Officers Association Board and is a member of the Washington Society of Certified Public Accountants' Government Auditing and Accounting Committee. Phone: (360) 902-0091 or [Kelly.Collins@sao.wa.gov](mailto:Kelly.Collins@sao.wa.gov)

**Mark Rapozo, CPA, Assistant Director of Local Audit** – Mark has been with the Washington State Auditor's Office since 1983. In his role as Assistant Director he assists with the statewide oversight and management of all the audits for local government. He also served as the chairman of the Local Records Committee of the Washington State Archives for 10 years. Phone: (360) 902-0471 or [Mark.Rapozo@sao.wa.gov](mailto:Mark.Rapozo@sao.wa.gov)

**Joanne Klein, Audit Manager** – In her role as Manager, Joanne manages the Tacoma Team, which performs financial, single and accountability audit work for local governments in the Pierce and South King County areas.

Joanne has been with the State Auditor's Office since 1999. She served as an Assistant Audit Manager for ten years before becoming the Audit Manager in 2015. She also serves as the office's school specialist and provides training with Washington Association of School Business Officials. Phone: (253) 593-2047 or [Joanne.Klein@sao.wa.gov](mailto:Joanne.Klein@sao.wa.gov)

**Gus Ramos, Assistant Audit Manager** – Gus has been with the Washington State Auditor's Office since 2014. During his employment with the Office, Gus has participated and led a variety of different audits including cities, counties, water/sewer districts, fire districts, and school districts. Prior to SAO, he has 10 plus years' experience in the banking industry. He completed his MBA in 2013 and is currently studying for the CFE certification. Phone: (253) 593-2047 or [Agustin.Ramos@sao.wa.gov](mailto:Agustin.Ramos@sao.wa.gov)

**David Smolko, Audit Lead** – Dave has been with the Washington State Auditor's Office since 1987. During his employment with the Office, Dave has planned and supervised many of our large state agency audits; participated and led a variety of local audits including cities, counties, water/sewer districts, fire districts, school districts, park districts and housing authorities. Phone: (253) 593-2047 or [David.Smolko@sao.wa.gov](mailto:David.Smolko@sao.wa.gov)