

From: [Pat Anderson](#)
To: [Pat Anderson](#)
Subject: Flood Authority Compliance Audit
Date: Friday, December 11, 2015 12:47:55 PM
Attachments: [AAM Chehalis River Basin Flood Control Engagement Letter - AC.docx](#)
[AAM Chehalis River Basin Flood Control Entrance Agenda.docx](#)

Dear Flood Authority Members,

Attached are the documents received so far from the State Auditor's Office on the Flood Authority Compliance Audit. Sometime next week we should have recommendations from the audit team when they complete their work. An exit interview will be scheduled once the audit has been completed and reviewed. The members of the Flood Authority will be notified as to the day and time for that exit interview and are encouraged to attend.

Pat Anderson

Lewis County Community Development

Planning Department

Pat.Anderson@lewiscountywa.gov

360.740.2677



Washington State Auditor's Office

November 30, 2015

Members of the Board
Chehalis River Basin Flood Control Authority
351 NW North Street
Chehalis, WA, 98532

Dear Ms. Olson:

We are pleased to confirm the audit to be performed by the Washington State Auditor's Office, in accordance with the provisions of Chapter 43.09 RCW. This letter confirms the nature and limitations of the audit, as well as responsibilities of the parties and other engagement terms.

State Auditor's Office Responsibilities

Accountability Audit

We will perform an accountability audit for the fiscal years ended December 31, 2012, 2013, and 2014, on the River Basin Flood Control's compliance with applicable state laws, regulations, policies and procedures, and safeguarding of public resources in areas representing the highest risk of fraud, loss, abuse, or noncompliance as identified during our audit planning.

Accountability audits examine financial records to evaluate whether public resources are handled properly and in compliance with laws and regulations, and whether effective internal controls are in place to promote accountability and encourage sound financial management practices.

Using a risk-based approach, our audit will evaluate the River Basin Flood Control's accountability and compliance with state laws and regulations. We will discuss the specific areas to be evaluated during our audit entrance conference.

Reporting Levels for Audit Issues

Issues identified through the auditing process will be communicated as follows. Failure to appropriately address audit issues may result in escalated reporting levels.

- **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, contracts or grant agreements. You will be given the opportunity to respond to a finding, and this response, or synopsis of it, will be published in the audit report.
- **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** address control deficiencies or non-compliance with laws or regulations that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. These issues are informally communicated to management.

Client’s Responsibilities

Management is responsible for:

- Selecting and applying appropriate administrative and accounting policies.
- Establishing and maintaining effective internal controls over financial reporting, compliance, and safeguarding of public resources.
- Designing and following effective controls to prevent and detect fraud, theft, and loss.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.
- Making all financial records and related information available to us.
- Promptly reporting to us knowledge of any fraud, allegations of fraud or suspected fraud involving management, employees or others, in accordance with RCW 43.09.185.
- Providing us with a management representation letter that confirms certain representations, both express and implied, which we will request at the conclusion of our audit. This letter includes representations regarding legal matters. A separate letter may be needed from the Flood Control’s legal counsel.

Management will provide the State Auditor’s Office with the information required for performing the audit and is responsible for the accuracy and completeness of that information. Management will notify the State Auditor’s Office when any documents, records, files, or data contain information that is covered by confidentiality or privacy laws, such as HIPAA.

Management’s Written Representations

At the conclusion of our audit, we will also request certain written representations from you about the subject matter information and related matters, including items discussed above.

Estimated Audit Costs and Timeline

We estimate the cost to complete the audit will be \$3,550, plus travel and other expenses, if any, with work expected to commence by December 7, 2015. We anticipate our reports being available to you according to as outlined below. These estimates are based on timely access to financial information and no significant audit reporting issues. The estimated cost and completion date may change if unforeseen issues arise or if significant audit issues are identified necessitating additional audit work. We will promptly notify you if this is the case.

Report	Date*
Independent Auditor’s Report on Accountability	January 2016

**Report Issuance Dates are Estimates Only*

Expected Communications

During the course of the audit, we will communicate with Donna Olson, Office Manager, Lewis County Community Development, on the audit status, any significant changes in our planned audit scope or schedule and preliminary results or recommendations as they are developed.

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

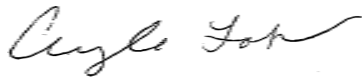
Audit Issue Process

Please contact the Audit Manager or Deputy 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.

By signing and returning this letter you acknowledge that the foregoing is in accordance with your understanding. Please contact us with any questions.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Sincerely,



Angela Folkers, Audit Manager 11/30/2015
Washington State Auditor's Office

Chehalis River Basin Flood Control response:

This letter correctly sets forth our understanding.

Lee Napier, 12/1/2015
Director of Community Development

Donna Olson, 12/1/2015
Office Manager, Community Development



Washington State Auditor's Office

Independence • Respect • Integrity

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Entrance Conference: Chehalis River Basin Flood Control Authority

About our Office

The Washington State Auditor's Office's vision is government that works for citizens. Our goal is for government that works better, costs less and earns greater public trust.

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

Audit Scope

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

- **Accountability audit** for the fiscal years 2012-2014

We will assess for 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.

We plan to evaluate the following areas:

- Open public meetings
- Vendor trend
- Contracts and agreements
- Disbursements

Engagement Letter

We have provided an engagement letter which documents both of our responsibilities for conducting and performing the audit. Additionally the letter identifies the cost of the audit, estimated timeline for completion and expected communications.

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 or immaterial effect, or errors with an immaterial effect on the financial statements. These issues are informally communicated to management.

Other 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 \$3,550, plus travel expenses.

Expected Communications

During the course of the audit, we will communicate with Donna Olson, Office Manager Community Development, 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 Donna to keep us informed of any such matters.

Audit Issue Process

Please contact the Audit Manager or Deputy 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.

Customer service survey

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

Loss Reporting

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>.

Available Resources

The Washington State Auditor's Office also has many resources available throughout the year.

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.

Local Government 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

Jan Jutte, CPA, Acting State Auditor – Jan has more than 40 years of accounting and auditing experience, and has been with the Washington State Auditor's Office since 1985. She has managed or been the deputy director over virtually every state agency and local government audit within the Office.

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.

Mark Rapozo, CPA, Deputy Director of Local Audit – Mark has been with the Washington State Auditor's Office since 1983. In his role as Deputy 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.

Angela Folkers, Audit Manager – Angela has been serving as the Team Olympia Audit Manager since 2007. Team Olympia is responsible for auditing local governments and community colleges in Thurston, Lewis, Grays Harbor and Pacific counties. Angie also serves in the leadership role of Program Manager for Cities. Some of Angie's duties include involvement in conferences, projects, risk assessment, committees and networking with key stakeholders.

Corrine Schmid, Assistant Audit Manager – Corri has been serving as a Supervisor since 2014. Corri also serves as an Office specialist for Fire Districts and Team Olympia's hotline specialist. Corri has prior audit experience with counties, cities, towns, public utility districts, ports, hospital districts, school districts, transits, fire districts and other miscellaneous entities.

Taylor Kenny, Audit Lead – Taylor has been with the State Auditor's Office since 2014 and has prior audit experience with cities, counties, water districts, hospital districts, fire districts, housing authorities, transit boards, and school districts. Prior to joining the State Auditor's Office, Taylor's worked as a fraud specialist in the banking industry.