Entrance Conference: Washington State University

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 audits:

Financial statement audit for July 1, 2017 through June 30, 2018

The purpose of our financial statement audit is to provide an opinion on whether your financial statements are presented fairly, in all material respects, in accordance with the applicable reporting framework. The audit does not attempt to confirm the accuracy of every amount, but does search for errors large enough to affect the conclusions and decisions of a financial statement user.

We will also provide an opinion letter for the University’s Annual Financial Report, which is issued by the University and includes the University’s financial statements and other information.

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 of the WSU Foundation was performed by KPMG and audits of Auxiliary Enterprises (Parking, Housing and Dining System, University Recreation Center, Compton Union, Intercollegiate Athletics and Northwest Public Radio & TV) are performed by CliftonLarsonAllen (CLA).

In accordance with professional standards, we considered the audit report and audit work performed by the other auditors in the planning of our audits. 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 audits, including those in which we could leverage the 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.

Within 30 days of the issue of an accountability audit finding, SAAM 55.10 requires state agencies to provide a corrective action plan to the OFM Accounting Division. Upon completion of corrective action related to a finding, state agencies are required to submit a certification, signed by the agency head or designee, that the audit resolution process is complete. It is recommended that agencies discuss the completion of corrective action with their assigned OFM Accounting Consultant prior to submitting the certification.

**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 $53,675, plus travel costs of $8,000.

**Expected Communications**

During the course of the audit, we will communicate with Manali Bettendorf, Controller, 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 Ms. Bettendorf 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.

Emerging Issues
Some of the emerging issues affecting state governments are the following:

- **GASB Pronouncements Effective for Reporting Year 2019**
  - **Statement No. 83, Certain Asset Retirement Obligations**
    Under this statement, a government that has a legal obligation for future capital asset retirement activities is required to recognize a liability and a corresponding deferred outflow of resources.
  - **Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements**
    This statement provides additional requirements for disclosure in notes to government financial statements related to debt, including direct borrowings and direct placements.

- **GASB Pronouncements Effective for Reporting Year 2020**
  - **Statement No. 84, Fiduciary Activities**
    This guidance clarifies what constitutes a fiduciary activity for financial reporting purposes and the fund types to be reported.
  - **Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No.61**
    The statement clarifies reporting of a government’s majority equity interest in legally separate organizations.

- **GASB Pronouncements Effective for Reporting Year 2021**
  - **Statement No. 87, Leases**
    Scope includes definition of a lease, lease terms, short-term leases, subleases, sale-leaseback and accounting and reporting for lessee and lessor.
Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

The interest should be recognized in full proprietary funds as expenses and not capitalized. In governmental funds they should be recognized as expenditures.

**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.

**Audit Team Qualifications**

**Al Rose, Director of Legal Affairs** – Al graduated from the University of Washington and from the University of Washington School of Law. After 4 years as a criminal defense lawyer, Al worked for the Pierce County Prosecuting Attorney. While at the office of the Prosecuting Attorney, Al worked in the Criminal Division for ten years and worked in the Civil Division for five years. For the last eight years, Al served as Director of Justice Service in the office of the Pierce County Executive; supervising the Superior Court Clerk’s Office, Dept. of Assigned Counsel and the Medical Examiner and working with the courts, sheriff and prosecutor. Al served as the public records officer for the Pierce County’s Executive office, and the Ethics Commission as well as advising the county public records ombudsperson. Phone: (360) 902-0372 or Al.Rose@sao.wa.gov

**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

**Brandi Pritchard, CFE, Assistant Director of Local Audit** – Brandi has been with the Washington State Auditor’s Office since 2003. In her role as Assistant Director, she assists with statewide oversight and management of all the audits for local government, including fraud investigations. She served as an Audit Manager for four years prior to becoming an Assistant Director of Local Audit. Phone: (360) 489-4591 or Brandi.Pritchard@sao.wa.gov

**Alisha Shaw, Audit Manager** – Alisha began her service with SAO in September 2000 as a College Career Graduate on Team Wenatchee after earning a Bachelor’s Degree in Business Management with an emphasis in accounting from Whitworth College. She joined Team Pullman in 2001, became an Assistant Audit Manager in June 2005 and became the Audit Manager of Team Pullman in February 2018. During her time with SAO, she has been the auditor-in-charge or supervisor of numerous local and state audits. Phone: (509) 329-3701 ext. 102 or Alisha.Shaw@sao.wa.gov

**Molly Mors, CPA, CFE, Acting Audit Manager** – Molly joined the State Auditor’ Office in 2012. She earned her Master’s Degree in Business Administration from the Washington State University. She obtained her Certified Public Accounting License in 2014 and became a Certified Fraud Examiner in 2017. Molly has been the Audit
Lead over numerous state and local entities audits both in eastern and western Washington. Molly is currently Team Pullman’s Fraud Specialist Coordinator. Phone: (509) 334-5825 ext. 104 or Molly.Mors@sao.wa.gov

**Matt Thompson, Assistant Audit Manager** – Matt has been with the State Auditor’s Office since 2013. He was promoted to an Assistant Audit Manager in May 2016. He earned his Bachelor’s Degree in Business Administration from Eastern Washington University and his MBA from Gonzaga University. During his time with SAO, he has been the supervisor of numerous local and state audits. Phone: (509) 329-3701 ext. 107 or Matthew.Thompson@sao.wa.gov

**Andrew Chilton, Audit Lead** – Andrew began his service with the State Auditor’s Office in 2013 on Team Tri-Cities. He earned his Bachelor’s Degree in Business Administration from the Washington State University. In November of 2017, he joined Team Pullman. Andrew has been the Audit Lead over numerous local and state entities in eastern Washington. Phone: (509) 334-5825 ext.106 or Andrew.Chilton@sao.wa.gov