



Office of the
Washington
State Auditor
Pat McCarthy

Entrance Conference

City of Lynnwood

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Disclaimer: This presentation is intended to be viewed in conjunction with the complete packet of entrance materials provided. A copy of those materials may be requested by contacting the presenters listed or by emailing PublicRecords@sap.wa.gov.

Audits that Matter



Accountability

Financial

Federal

Performance Audits

Cybersecurity Audits

Fraud/ Whistleblower
Investigations

Unauditable
Governments

Citizen Hotlines

Other Engagements



Pat McCarthy
State Auditor

2,649 audits conducted

(July 1, 2019 – June 30, 2020)

Financial Statement Audit

January 1, 2020 through December 31, 2020



Opinion Issuance

- Opinion will be issued in accordance with U.S. GAAP
- Audit conducted in accordance with *Government Auditing Standards*

Internal Control and Compliance over Financial Reporting

- Assess adequacy of accounting and financial statement preparation processes at preventing material misstatements
- Identify whether there are instances of material noncompliance

Comprehensive Annual Financial Report (CAFR)

Certificate of Achievement for Excellence in Financial Reporting

- Optional award program offered from the Government Finance Officer's Association (GFOA)
- Requires preparation and subsequent audit review of additional financial schedules
- Financial statement opinion letter issued



Federal Grant Compliance Audit

January 1, 2020 through December 31, 2020



Opinion Issuance

- Opinion will be issued in accordance with *Government Audit Standards* and the Uniform Guidance

Internal Control and Compliance over Major Programs

- Assess adequacy of federal grant processes at preventing non-compliance
- Identify whether there are instances of material non-compliance

Major Programs Selected for Audit



CFDA No.	Program or Cluster Title	Total Amount Expended
21.019	Coronavirus Relief Fund	\$1,996,104

These costs amount to about 68 percent of the total federal expenditures for 2020



Levels of Reporting



Findings

Management
letters

Exit items

Tracker: A clear path to all your audit information



Using tracker, your government can:

- Get up to speed more quickly when turnover occurs
- Better and more quickly prepare for upcoming audits
- More easily identify and resolve issues
- Enter a status update at the time of the change
- Show quickly that it resolved an issue – and get the credit for that expedient resolution



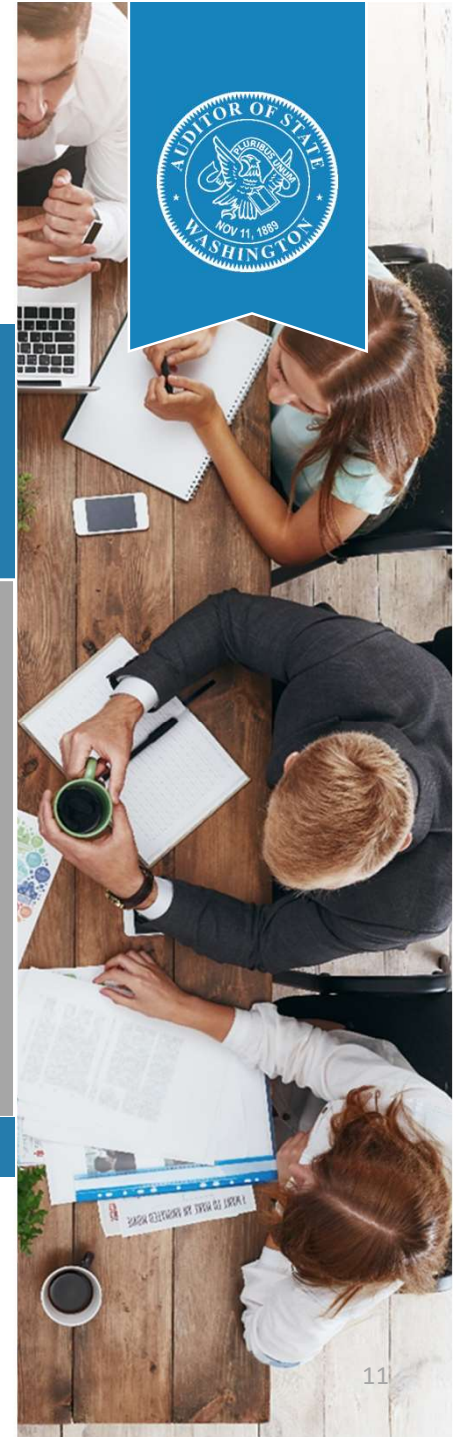
Important Information

Confidential
Information

Audit Costs

Audit
Dispute
Process

Loss
Reporting



Peer Reviews of Washington State Auditor's Office



“Who audits the State Auditor?”

- To ensure our audits satisfy government auditing standards, our Office receives external peer reviews every three years by the National State Auditors Association (NSAA)
- Most recent peer review results are available online at www.sao.wa.gov/about-sao/who-audits-the-auditor/
- Rating received: “Pass”, the highest level of assurance that an external review team can provide

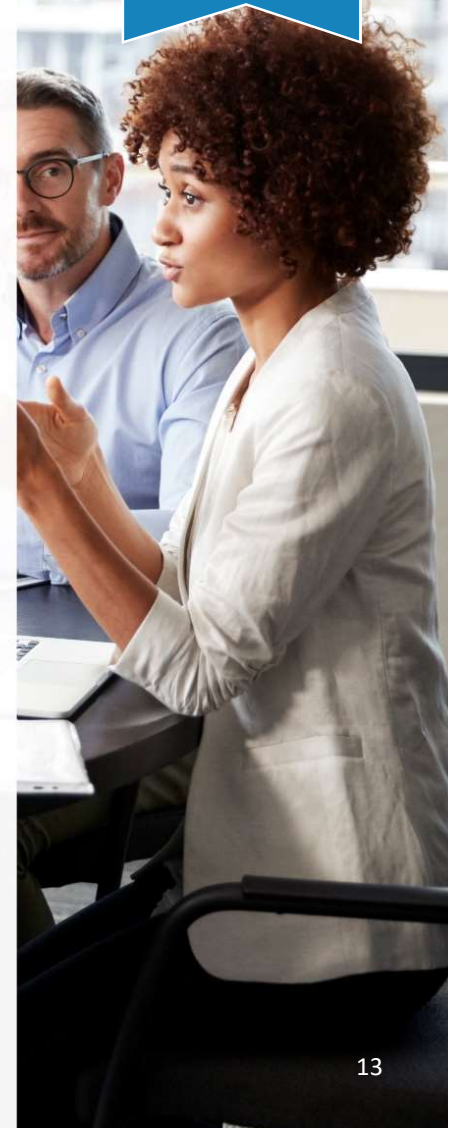
Working Together to Improve Government

Local Government Support Team

- BARS & Annual Online Filing
- Accounting and Reporting Training
- Client portal, including helpdesk

The Center for Government Innovation

- Process improvement facilitations
- Resources, tools and best practices
- Financial Intelligence Tool (FIT)
- Center@sao.wa.gov



Emerging Issues Affecting Local Governments:



- 2020 SAO Annual Report
- Audit Connection – April 2021
- GASB Handout – June 2021

The Audit Connection

Special Message from State Auditor Pat McCarthy

McCarthy's Corner

Here at the Office of the Washington State Auditor, we have faced the unfortunate reality behind increasing cyberattacks. We are working through the very scenario we and so many government agencies work hard to prevent: A data breach.

As many of you already know, we were alerted to a security incident involving a third-party file transfer service our office used to share information with the public agencies we audit. Although we had stopped using the service in question at the end of the year, in mid-January we were notified about an incident that happened toward the end of 2020. Over the next few weeks, we learned that data stored in Accellion's File Transfer Application had been compromised. The incident remains under investigation by SAO, Accellion and law enforcement.

Threats against third-party service providers are an increasing concern. Sophisticated cybercriminals who successfully attack these service providers can access the data of multiple organizations. There have been several examples of this issue in the past year. Indeed, many other companies and public agencies around the world used the Accellion system and were affected by the same security incident as SAO.

We continue our work to mitigate any harm caused by this incident, including communicating with the local governments and state agencies whose audit data may have been affected, responding to their questions as best we can, and providing updated information as it becomes available. We are offering support to Washingtonians' whose personal information may have been made vulnerable. Our dedicated webpage, sao.wa.gov/breach2021, is kept up to date to explain how SAO is responding to the incident and suggest resources for those affected.

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Have a peek inside

- 2 Do your employees and citizens have a way to report concerns?
- 3 Single audit alert: Updated guidance for due dates and items reported on the Schedule of Expenditures of Federal Awards (SEFA)
- 5 Auditor McCarthy joins national association's committee
- New checklists help you create strong controls to prevent fraud
- 6 The 2020 annual report filing system and the annual BARS updates are live!
- Sandra Groshong named new audit manager for Tacoma office
- 7 Restructuring of the Special Investigations Program
- Three small governments declared unauditible; final 2020 tally released
- 8 Remote work: What 2020 has taught us
- 10 Find your purpose to combat stress
- 11 Linking Lean and Leadership
- 12 Annual report takes a 20/20 look at 2020



Questions?



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