



# City of Seattle Entrance Conference December 6, 2011

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## Your Audit

Based on preliminary planning, we will perform the following for the fiscal year ending June 30, 2011:

- Accountability audit
- Follow-up on prior accountability audit recommendations
- Follow-up on concerns reported to us by citizens and constituents

## Audit Scope

### Accountability Audit

Accountability audits examine financial records to evaluate whether public funds are handled properly and in compliance with laws and regulations.

We consider whether the City has effective internal controls in place to promote accountability and encourage sound financial management practices. Effective internal controls also prevent losses of public funds or detect them in a timely manner. Governments should continually evaluate internal controls to ensure they are effective and updated when necessary.

Using a risk-based approach, our audit will evaluate accountability and compliance with state laws and regulations in the following areas:

- Financial condition – statewide theme for audits of cities
- Use of restricted resources – allocation of costs; use of special levy funds, utility, VLF, and other restricted resources
- Contracting – procurement, monitoring and payments for noncompetitively selected contracts
- Safeguarding of assets – generic disbursement testing, testing how payments relate to public benefit, accountability for maintenance supplies and materials
- Expenditures of state grant money – SPU, SCL, SDOT, PRK
- Police property and seizures – storage, reporting
- Self insurance – healthcare, unemployment
- Please let us know if there are any recent events or transactions that we should consider.

### Accountability Audit Report

We expect to issue this report in March, 2012 assuming there are no unforeseen delays.

## Reporting Levels for Audit Recommendations

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### Findings

Findings formally address issues in an audit report. 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.

Professional auditing standards define the issues we must report as findings with regard to non-compliance with a financial statement effect and internal controls over financial reporting.

*OMB Circular A-133* defines the issues we must report as findings with regards to non-compliance and internal controls over compliance with federal grants.

### Management Letters

Management letters communicate less significant instances of noncompliance and make recommendations for strengthening internal controls. Management letters are referenced, but not included, in the audit report.

### Exit Items

Exit items are less serious audit issues than a finding or management letter. These issues are informally communicated to you.

## About Our Office

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We independently serve the citizens of Washington by promoting accountability, fiscal integrity, openness in government and the efficient and effective use of public resources.

### Audit

State law requires our Office to examine the financial affairs of all local governments. We consider several factors as we determine the frequency and type of audit to conduct. These include assessing the City's annual revenues, federal expenditures, significant issues found in prior audits, bond covenants and state laws and regulations. We also strive to meet any other audit needs expressed to us by local governments.

### Investigations

We also investigate potential frauds reported to our Office and examine some citizen concerns. 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. We determine which citizen concerns we will look at based on their seriousness and our available resources.

### Support Services

We provide 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 offers many resources, including a client HelpDesk that answers auditing and accounting questions.

## Other Information

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### 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, such as HIPAA.

### Audit Costs

The cost of the audit is estimated to be approximately \$275,550.

### Audit Staffing

The following staff will assist on this audit:

- Anastassia Efanova
- Reid Richards
- Annette Boulmetis
- Donald McMaster

### Expected Communications

We will communicate any difficulties encountered or significant changes in our planned audit scope to Glen Lee, Finance Director. Preliminary recommendations will be shared as they are developed.