City of Blaine
Entrance Conference

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About Our Office

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.

Your Audit

Based on preliminary planning and your audit needs, we will perform the following audits for the fiscal year 2011:

- Accountability
- Financial statement
- Federal grant compliance

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:

- Internal cost allocation
- Other accountability areas as determined

Accountability Audit Report

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

Financial Statement Audit

We perform financial statement audits in accordance with *Government Auditing Standards,* which require we obtain reasonable, rather than absolute, assurance about whether financial statements are free of material misstatement, whether caused by error, fraud or violations of laws or contracts. Since we do not review every transaction, our audit cannot be relied upon to identify all misstatements. We may not express an opinion on your financial statements if we are unable to complete the audit or obtain sufficient and appropriate evidence supporting the statements.

Although these audits are not designed to provide an opinion on the effectiveness of internal controls over financial reporting, we are required to report any significant deficiencies and material weaknesses in controls. We also are required to report noncompliance with provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the accuracy of the financial statements.

Our responsibility is to express an opinion on the financial statements based on the results of our audit. The City is solely responsible for the statements, including:

- Selecting and applying appropriate accounting policies.
- Establishing and maintaining effective internal controls over financial reporting.
- Designing and following effective controls to prevent and detect fraud.
- Ensuring compliance with laws, regulations and provisions of contracts and grant agreements.
- Making all financial records and related information available to us.
- Correcting the financial statements based on the results of our audit.

- Providing us with a management representation letter, 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 City's legal counsel.

Financial Statement Audit Report

Our opinion on the fair presentation of the financial statements will be included in this audit report. We will also issue a report on any significant deficiencies and material weaknesses in internal control over financial reporting and on compliance with laws, contracts and grant agreements with a material financial statement effect, as required by Government Auditing Standards.

We expect to issue this report in September, 2012. However, this expectation is based on timely access to financial information and no significant audit reporting issues.

Required Communications

In addition to our audit reports, we are required by professional auditing standards to communicate other significant issues to the City Council, including:

- Any significant difficulties encountered during the audit and the resolution of such difficulties, including disagreements with management about matters significant to the financial statements.
- Material misstatements corrected by management during the audit and uncorrected misstatements in the audited financial statements.

Federal Grant Compliance Audit

We will perform a federal grant compliance audit, as prescribed by the Office of Management and Budget (OMB) Circular A-133. This audit is required when federal grant expenditures exceed $500,000 in a fiscal year. We will evaluate the effectiveness of internal controls and determine compliance with federal requirements for the following programs:

- Water and Waste Disposal Systems for Rural Communities, CFDA 10.760

Federal Compliance Audit Report

Federal requirements stipulate the submission of these audit reports, along with the Data Collection Form, to the federal clearinghouse within 30 days after receipt of the report or nine months after the end of the audit period, whichever is earlier.

We expect to issue this report in September, 2012. However, we are required to include the results of our financial statement audit in this report, so the estimated issue date could change based on the completion of both audits.

Reporting Levels for Audit Recommendations

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.

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, such as HIPAA.

Audit Costs

The cost of the audit is estimated to be approximately $37,453 plus travel expenses.

Audit Staffing

The following staff will assist on this audit:

- Mary Tran
- Sam Burkey

Expected Communications

We will communicate any difficulties encountered or significant changes in our planned audit scope to Jeffrey Lazenby, Finance Director. Also, preliminary recommendations will be shared as they are developed.

Please let us know if there are any recent events or transactions that we should consider.