



SAO Resources to Prepare for Your Upcoming Audit

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Today's agenda

- 01** Preparing for an audit
- 02** Common audit recommendations
- 03** Resources from the Center for Government Innovation
- 04** Fraud prevention



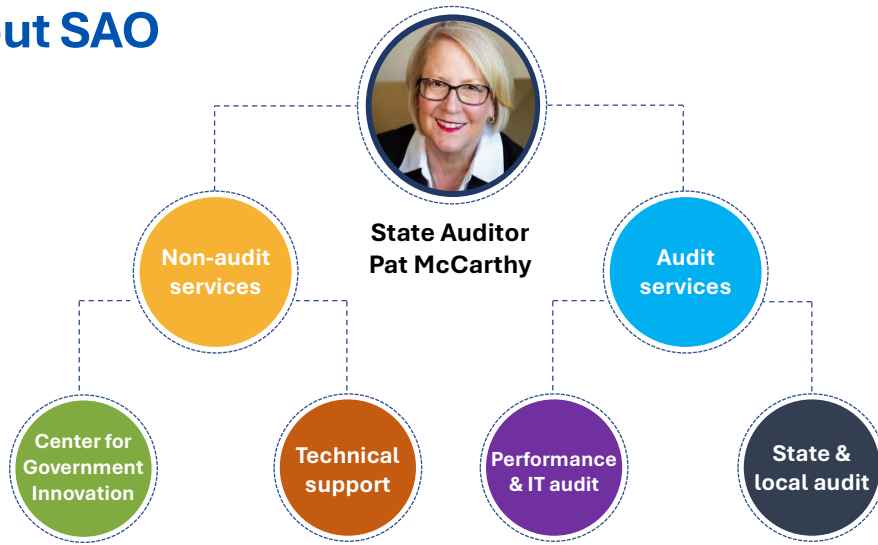
Office of the Washington State Auditor

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About SAO



Office of the Washington State Auditor

Audits and findings, by the numbers

Every year, we issue thousands of reports, reflecting the results of many different kinds of audits. Just a small percentage of the audits find a significant problem – in other words, a “finding.” Here’s what we did on the public’s behalf in fiscal year 2024:

2,724 audits

July 1, 2023 – June 30, 2024

1,127
audits

136 findings

Accountability audits

Accountability audits determine whether public funds are accounted for and if controls are in place to protect public resources from loss, misappropriation and abuse.

777
audits

86 findings

Financial audits

Financial audits determine whether the financial statements present an accurate picture of a government’s finances.

477
audits

260 findings

Federal audits

Federal audits determine whether federal money is being used according to federal regulations.

Preparing for audit



- Open a line of communication before the audit start date
 - Request a “pre-audit” meeting with the audit team
- Keep your files current and complete
 - Learn from the past. Review your government’s past audit results
- Assess changes in activities
 - Remember to document, document, document throughout the year

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Preparing for audit



- Document your internal processes and recording financial transactions properly
 - Be aware of changing accounting standards
- Perform a self-review of the annual report
 - Develop an audit timeline and assign responsibilities
- Relax! You’ve done all you can and are now ready for audit.

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Audit timeliness takes a team effort

- SAO’s priority is to work with you on timely and cost-effective audits
- Be sure to identify and communicate your audit needs
 - Bond deadlines
 - Federal grant compliance deadlines (Single Audit)
- Make good use of pre-audit meetings
- Regular audit status meetings keep us both on track
- Work with your auditors to have a plan in place for providing audit documents



Most common audit recommendations issued in 2024

Audit Area	Exit Items	Management Letters	Findings
Accounting / Financial Reporting	194	22	55
Federal Grants	64	10	37
Accounts payable / Disbursements	76	5	7
Safeguarding of Assets / Property	47	9	3
Cash Receipting	50	4	3
Payroll	43	9	5
Open Public Meetings	52	4	0
Procurement / Bidding / Prevailing Wage	40	12	3
Billings / Receivables	39	10	1



Financial statement reporting

Risks to consider:

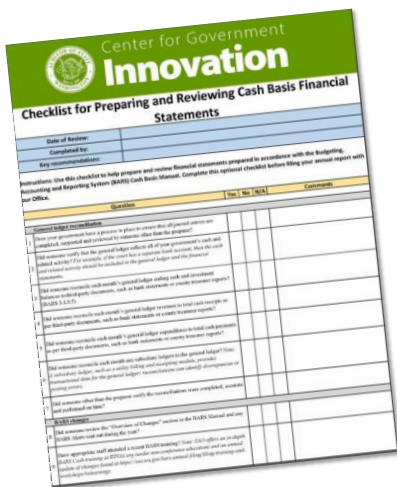
- Inadequate review of the prepared financial statements
- Lack of documentation evidencing review performed
- Outdated note disclosures, missing information and numerical errors

Helpful tips:

- ✓ Consider using the “Checklist for Preparing Cash-Basis Financial Statements” for preparation and review
- ✓ Always use the most up-to-date version of the BARS Manual



Resource: financial statement reporting checklist



- Updated annually to include new BARS requirements and other accounting changes
- Covers several aspects of the financial statements, including funds structures, cash and investments balances, required schedules, and more

Find this and other financial reporting tools in our online Resource Library





Federal Grants

Ways to get help:

- ✓ Essentials of Managing Federal Awards compliance handbook
- ✓ October 7, 2025: Federal Award Requirements training (SAO via WFOA.org)



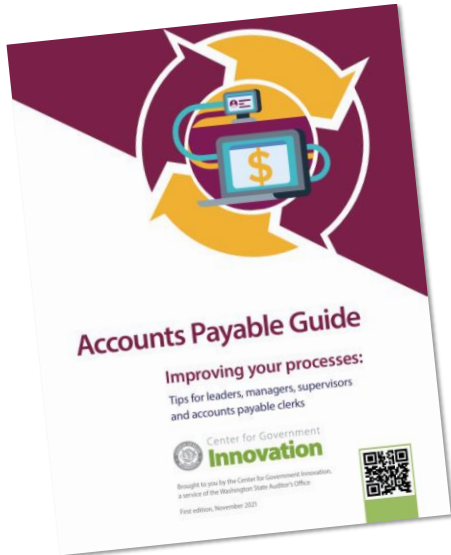
Accounts payable

Risks to consider:

- ✓ Payments were not supported by invoices or itemized receipts
- ✓ Unable to demonstrate purchases were for a valid business purpose



Resource: Accounts Payable Guide



- Develop expectations for managers (or departments) who approve invoices or other payments
- Specify any duties accounts payable should not do. For example, accounts payable clerks are not allowed to purchase or receive goods, reconcile the bank account, perform or approve the check run, or add or edit vendors in the vendor master file.



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Safeguarding of assets/property

Risks to consider:

- ✓ Not having an asset policy
- ✓ Not tracking and monitoring assets purchased or performing an annual inventory



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Resource: cash receipting guide



- Segregate duties between these areas: those who have custody of the asset (primarily cashiers), authorization, recording (of the deposit) and reconciliation (of the deposit, or to the bank)
- Select your vendor with care. Discuss and agree on your scope and specifications in advance. Use a robust selection process so that you make the best choice, based on your needs.



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Payroll

Inherent risk due to the variety of ways employees earn payroll:

- Overtime
- Leave buyouts

Risks to consider:

- Inadequate tracking can lead to noncompliance with City policies and/or collective bargaining agreements
- Support for the calculation not maintained



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Resource: payroll guide



- Describe what you expect payroll staff to verify when processing payments, such as information related to timekeeping, supplemental compensation, leave balances, compensatory time, and payroll deductions.
- Identify who will assign and approve user access, and specify how often user roles should be reviewed. Your policy should not allow payroll processors or payroll management to control administrative rights or user access, as these are conflicting duties.



Open Public Meetings Act (OPMA)

Helpful tips:

- ✓ Provide adequate notice of meeting days and times (and access codes for virtual meetings)
- ✓ Hold the regular board meetings at the regularly scheduled time
- ✓ Admit people into virtual meetings on time
- ✓ Document the voucher approvals for disbursements and payroll (BARS Manual, 3.8.5)
- ✓ Adequately document executive sessions to comply with the OPMA
- ✓ Publicly post meeting minutes in a timely manner



Resource: MRSC & SAO tip sheets

OPMA – DEVELOPING AND MODIFYING AGENDAS 

Practice Tips FOR LOCAL GOVERNMENTS

The Open Public Meetings Act (OPMA) requires agencies to make available the agendas for both regular and special meetings within specific timeframes and following specific methods as outlined in our [Public Meetings Practice Tips](#). This tip sheet provides additional guidance that is focused on developing and modifying agendas. For more information and resources visit [mrsc.org/opma](#).

WHO DRAFTS THE PRELIMINARY AGENDA?

While the basic authority to establish an agenda for a meeting of the governing body rests with that body within its authority to adopt rules of procedure and hold meetings, this authority is often delegated to the chair, the administrator/manager, or the clerk.

Tips from Local Rules: The rules of procedure of each governing body often address agenda preparation and the rules can be tailored to that agency's specific needs. One constant is that the clerk or secretary of the board is an integral part of the agenda development process.

CAN AN AGENDA BE MODIFIED? WHO CAN MODIFY AN AGENDA?

State law only requires a preliminary agenda be made available (RCW 42.30.077) and does not prohibit subsequent modifications being made to the agenda. State law also doesn't direct who can modify a preliminary agenda. Both of these matters are often addressed in the governing body rules.

Tips from Local Rules: Examples of rules on these topics range from requiring a specified number of members of the governing body (but less than a majority) ask for an item to be added to the agenda, or allowing the executive or chair to add an item on their own initiative, or only allowing less critical matters be added after publication of the preliminary agenda.

WHEN CAN AN AGENDA BE MODIFIED?

- Before the meeting, as provided for by rule of the governing body.


Tips from Local Rules: Some local rules identify a deadline for adding items to an agenda, such as three business days before the meeting date. Others limit modification of the preliminary agenda by establishing a standard agenda setting process, such as requiring agenda items be selected from an agenda planner or having an agenda planning committee set the agenda at their weekly agenda planning meetings.

During the meeting, upon a motion and majority vote of the governing body or by consensus if that is the agency practice.

Other: the vote to modify the agenda will occur at the outset of the meeting when the first agenda is being approved, although it can happen at any point during the meeting unless otherwise limited by local rule.

Note on Consent Agendas: A consent agenda is where multiple items are placed and are passed upon a single motion, without debate. If the agency uses a consent agenda then unless the governing body's rules say otherwise any member can remove an item from the consent agenda and place it in the meeting agenda to be discussed/acted on separately during the meeting.

OPMA – DEVELOPING AND MODIFYING AGENDAS PRACTICE TIPS FOR LOCAL GOVERNMENTS Page 1 of 2

OPMA – EXECUTIVE SESSIONS 

Checklist FOR LOCAL GOVERNMENTS

The Open Public Meetings Act (OPMA) requires specific steps be taken in order to hold an executive session. Use this checklist to guide your agency's compliance with the OPMA as it applies to executive sessions. For more information and resources visit [mrsc.org/opma](#).

REQUIREMENT	COMPLETED
Meeting	
An executive session can only be held as part of a regular or special meeting.	<input type="checkbox"/>
Purpose	
The presiding officer announces in open session the purpose/topic of the executive session.	<input type="checkbox"/>
End Time	
The presiding officer announces in open session the time the executive session will end. Note: Announce a specific time – announcing a length of time is not sufficient.	<input type="checkbox"/>
Legal Counsel	
Legal counsel is present during the executive session, if required.	<input type="checkbox"/>
Confidentiality	
At the start of the executive session, participants are reminded that discussions are confidential.	<input type="checkbox"/>
Discussion topics for local governments as set forth in RCW 42.30.100. (See Notes for Specific Discussion Topics in Practice Tips section.)	
• Matters affecting national security (RCW 42.30.100(1))	<input type="checkbox"/>
• Infrastructure and security of agency computer and telecommunications network (RCW 42.30.100(2))	<input type="checkbox"/>
Note: Requires presence of legal counsel.	
• Consideration of site selection or acquisition of real estate purchase or lease if likelihood that disclosure would increase price (RCW 42.30.100(3))	<input type="checkbox"/>
• Consideration of the minimum offering price for sale or lease of real estate if there is a likelihood that disclosure would decrease the price (RCW 42.30.100(4)). Only minimum price may be discussed; factors influencing price must be discussed in public session. See Columbia Riverkeeper v. Port of Vancouver . Note: Final action setting or leasing public property must also be taken in open session.	<input type="checkbox"/>
• Complaints or charges brought against a public officer or employee (RCW 42.30.100(5)). Note: At requestor's request, discussion must be in open session.	<input type="checkbox"/>
• Qualifications of an applicant for public employment (RCW 42.30.100(6))	<input type="checkbox"/>
• Performance of a public employee (RCW 42.30.100(7))	<input type="checkbox"/>
• Qualifications of an applicant/candidate for appointment to elective office (RCW 42.30.100(8)). Any discussion or votes must be held in open session.	<input type="checkbox"/>
• Discussions with legal counsel regarding agency enforcement actions (RCW 42.30.100(9))	<input type="checkbox"/>
• Discussion with legal counsel about current or potential litigation (RCW 42.30.100(10))	<input type="checkbox"/>
• Discussion with legal counsel about legal risks of current or proposed action (RCW 42.30.100(11))	<input type="checkbox"/>

OPMA – EXECUTIVE SESSIONS CHECKLIST AND PRACTICE TIPS FOR LOCAL GOVERNMENTS Page 1 of 4



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Procurement

Common recommendations:

- Awarding bids through purchase cooperatives (“piggybacking”)
- Use of sole-source exemptions
- Noncompliance when using “best value”



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Procurement: Piggybacking

- ✓ Ensure the awarding entity is a public agency or group of public agencies
- ✓ Ensure contract awarded by cooperative/other government meets the city or town's competitive bid requirements (this has changed in the last couple of years)
- ✓ Ensure interlocal agreement is created before purchasing goods
- ✓ Keep records of how you met this before letting the contract



Procurement: Sole source

- Must meet RCW 39.04.280(1)(a) criteria
- Not eligible for purchases made with federal funds
- Name-brand specification is not the same as sole-source exception; name-brand specification is allowable if the information is included in the specifications and call for bids.
- Must clearly document why only one manufacturer's equipment is necessary to meet the operational needs and why it cannot be adequately substituted by another manufacturer's equipment



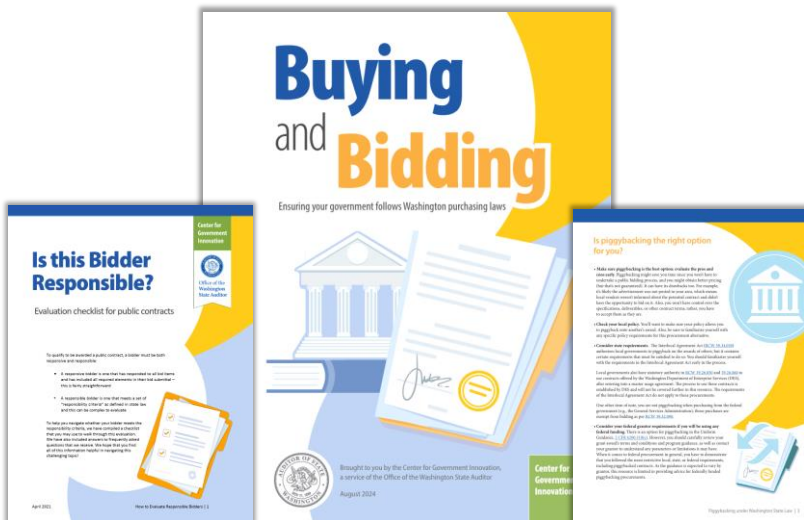
Procurement: Best value

Attorney General opinion in June 2018:

- If best value is used, auditors look for:
 - Criteria were established before bidding occurred and were included with advertised bid specification
 - Price **MUST** be included in the best value criteria
 - Documentation of value scores maintained for each responsive bid and supports selected bid/vendor
- Conclusion:
 - Competitive bidding may consider “best value” criteria IF appropriately included in the bid request



Resource: procurement collection



- Collection of resources aimed at compliance with buying and bidding laws.
- Covers purchasing considerations using local, state and federal funding.





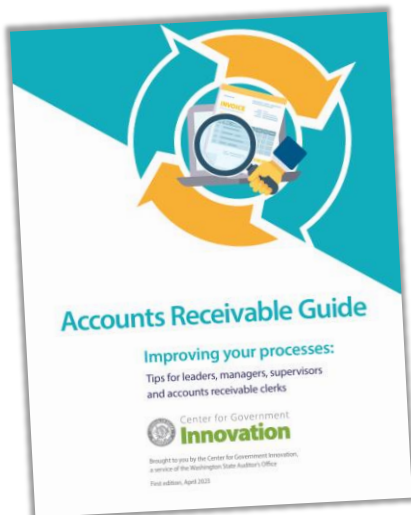
Billing and Receivables

Risks to consider:

- ✓ Customers were not charged the correct amount
- ✓ Adjustments were not reviewed or supported
- ✓ Late fees weren't charged as outlined by policy



Resource: accounts receivable guide

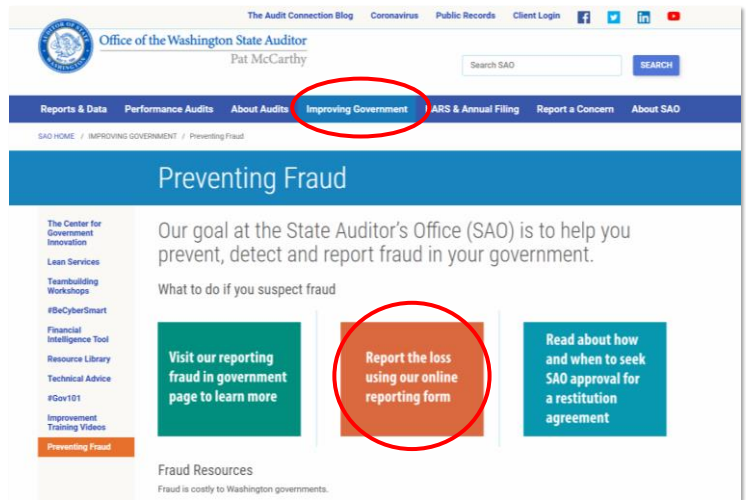


- Staff can change the amount customers or debtors owe with credit memos, invoice reversals, account adjustments, or balance transfers. Therefore, it is important your policies include some parameters.
- Ideally, your policies should restrict billing or collection staff from handling, accepting, or posting payments. If this is not possible, describe how managers should monitor to compensate for the increased fraud risk.



Reporting fraud or loss

- Remember to report any known or suspected instances of fraud or loss to SAO (RCW 43.09.185)
- Easiest to do this through SAO's website



Support for Cities and Towns at SAO

Cities and Towns always have support when working with SAO during an audit.

People you can contact:

- Cities / Towns program manager and subject matter experts (SMEs)
- Local audit staff
- Client HelpDesk
- And more ...

Plus internal guidance:

- Planning guides
- Level of reporting



Questions?

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