

Washington State Auditor's Office

Audit Report

Washington Counties Risk Pool

Audit Period
October 1, 1998 through September 30, 1999

Report No. 61056

Issue Date
January 26, 2000



Washington _____
State Auditor
_____ Brian Sonntag

Audit Summary

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Washington Counties Risk Pool for the period October 1, 1998, through September 30, 1999.

We performed audit procedures to determine whether the Pool complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated internal controls established by Pool management. Our work focused on areas that have a potential risk for abuse or misuse of public resources.

RESULTS

In most areas, the Pool complied with state laws and regulations and its own policies and procedures. We have given the Pool's management a few recommendations for improving controls over travel related payments. Its financial statements were complete and accurate.

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Description of the Pool

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

ABOUT THE POOL

The Washington Counties Risk Pool consists of 24 counties to provide comprehensive and economical insurance coverage and risk management assistance. An Executive Director, who reports to a nine-member Executive Committee, administers day-to-day operations. Executive Committee Members are elected to staggered three-year terms. The Pool operates on a \$930,000 annual budget and has 10 employees.

ELECTED OFFICIALS

These officials served during the audit period:

Executive Committee:

R. S. Zirkle
Mary Jo Cady
Marilyn Breckel
Steve M. Lowe
Melina Wenner
David Goldsmith
Mike Shelton
Judy Wilson
Dick Dixon

Note: Dick Dixon was replaced by Si A. Stephens in April 1999.

APPOINTED OFFICIALS

Executive Director

John Crawford

ADDRESS

Pool

205 Clark Place Southeast
Tumwater, WA 98501
(360) 586-7447

Audit Areas Examined

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

In keeping with general auditing practices, we do not examine every portion of the Pool's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Pool were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Insurance and bonding requirements
- Ethics/conflict of interest laws and policies
- Authorized travel expenditures
- Cash handling procedures
- Deposit and investment of public funds

INTERNAL CONTROL

We evaluated the following areas of the Pool's internal control structure:

- Cash and investments
- Expenditures
- Payroll
- Assessment billing/receipting
- Cash disbursement/checks

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Overall presentation of the financial statements
- Reserve for insurance claims
- Insurance claims liability
- Expenditures including payroll and travel
- Member assessment revenues
- Cash and investments

Audit Overview

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

AUDIT HISTORY

We audit the Washington Counties Risk Pool annually. Management has been responsive to prior audit recommendations. Audit concerns are often discussed, addressed and resolved before completion of our audit. Because of its assertive style of problem solving, the Pool has had no findings since its inception in 1988.

CONCLUSIONS

In most areas examined, we found the Pool complied with state laws and regulations and its own policies and procedures. We also found the Pool's financial statements were complete and accurate.

Travel-related payments were a major focus of our audit. We found that the Pool needs to develop strong controls over these types of transactions to reduce the risk of potential abuse of public resources. We have given the Pool's management a few recommendations for improving controls, and expect because of the Pool's assertive style of problem solving, the issues will be discussed, addressed and resolved before our next audit.

We thank Pool officials and personnel for their assistance and cooperation during the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited the financial statements of the Washington Counties Risk Pool, as of and for the year ended September 30, 1999, and have issued our report thereon dated December 29, 1999.

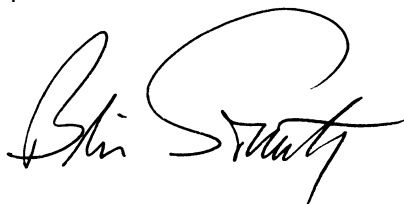
We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the Pool complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the Pool's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the Pool and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the Pool complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Pool had not complied, in all material respects, with those provisions.

However, we noted certain matters involving noncompliance not significant enough to report as findings that we have reported to management of the Pool in a separate letter dated December 29, 1999.

This report is intended for the information of management and the Board of Directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

December 29, 1999

Independent Auditor's Report on Financial Statements and Supplementary Information

Washington Counties Risk Pool October 1, 1998 through September 30, 1999

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited the accompanying financial statements of the Washington Counties Risk Pool, as of and for the year ended September 30, 1999. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

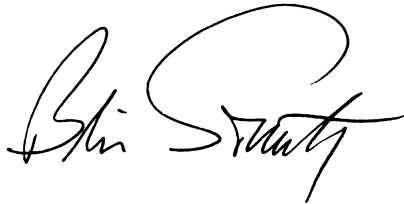
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Counties Risk Pool, as of September 30, 1999, and the results of its operations and the cash flows for the year then ended, in conformity with generally accepted accounting principles.

The Pool has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Pool is or will become year 2000 compliant, that the Pool's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Pool does business are or will become year 2000 compliant.

In our opinion, the amounts set forth in the required supplementary information for each of the years reported in the Claims Development Information, is fairly stated in all material respects, in relation to the financial statements from which it was derived. We have previously audited, in accordance with generally

accepted auditing standards, the financial statements as of and for the years ended September 30, 1989 through 1998 (none of which are presented herein). We expressed unqualified opinions on those financial statements.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large, prominent loop at the beginning.

BRIAN SONNTAG, CGFM
STATE AUDITOR

December 29, 1999

Financial Statements and Supplementary Information

**Washington Counties Risk Pool
October 1, 1998 through September 30, 1999**

FINANCIAL STATEMENTS

Balance Sheet – 1999
Statement of Revenues and Expenses and Changes in Members' Retained Earnings – 1999
Statement of Cash Flows – 1999
Notes to Financial Statements – 1999

SUPPLEMENTARY INFORMATION

Supplementary Information – Claims Development Information