

5 Year Audit Issues Summary

The purpose of an audit is to provide assurance and accountability. Our audits are conducted using a risk-based approach, which leads us to focus our audit on areas where there is the highest risk of audit issues. Even so, most of our audit work results in confirming that governments have sufficient controls in place and are in compliance with applicable laws. We believe that this work is valuable as a deterrent and to provide assurance for stakeholders.

However, we also regularly find audit issues that lead to valuable recommendations. In 2010, our Office performed 2,193 accountability, financial and federal grant audits, fraud investigations and special engagements, resulting in 3,910 recommendations for improvement.

In addition, we conducted over five hundred accountability assessments, whistleblower investigations, hotline investigations and performance audits, which are not included in the statistics below due to the unique nature of recommendations from these engagements and because results are reported in a different manner than our other audits.

We hope the following summaries are helpful to management of state and local governments by pointing out areas of common risk and demonstrating the importance of having adequate preventive policies and controls in place.

Table 1: Total number of Audit Issues by reporting level

Reporting Level	2010	2009	2008	2007	2006
Finding	329	366	338	394	314
Management Letter	458	539	516	575	601
Exit Item	3,123	3,268	2,946	2,768	2,392
Total	3,910	4,173	3,800	3,737	3,307

Note: figures do not include performance audits, accountability assessments, whistleblower investigations and hotline investigations.

There are three levels at which we report issues found during our audits: findings, management letter items and exit items.

Findings are significant issues that are presented in our published audit report. Governments have an opportunity to respond in writing to each finding in the audit report.

Management letters are formal letters to management and the governing body used to communicate issues that are important, but do not rise to the level of a finding. A reference to the management letter is included in the report; however, the actual letter is not included. Management letters are a matter of public record and a copy will be provided to anyone who requests them.

Exit items are informal comments communicated during audit wrap-up that are intended to bring relatively minor issues to management's attention. While issues may be minor in the overall scope of the audit, we feel it is important to give management all the information they need to improve controls and compliance.

Table 2: Audit Issues by Category

Recommendation Category	2010	2009	2008	2007	2006
Accounting/Financial Reporting	590	528	505	421	304
Billings/Receivables	99	107	110	133	132
Budget Compliance	53	77	87	80	85
Cash Receipting	462	513	448	459	435
Conflict of Interest/Ethics Laws	37	33	29	25	39
Debt/Covenants	6	22	10	15	21
Disbursements/Expenditures	466	518	509	486	517
Exceeding Legal Authority	4	7	10	5	17
Financial Condition	73	64	32	35	26
Fraud	30	29	20	16	20
Grants	554	556	505	595	462
Insurance/Risk Management	9	9	6	6	9
Interfund Transactions/Balances	94	65	30	31	22
Investments	9	8	11	7	4
Open Public Meeting/Record	238	296	280	249	186
Payroll/Personnel	182	194	218	184	178
Procurement Bid/Prevail Wage	221	299	202	148	121
Restricted Funds	41	58	60	62	47
Safeguarding of Assets/Property	267	301	213	218	217
School Apportionment	145	158	160	255	162
Other Compliance Issues	330	331	355	307	303
Totals	3,910	4,173	3,800	3,737	3,307

Note: figures do not include performance audits, accountability assessments, whistleblower investigations and hotline investigations.

Audit issues relate to a number of different topics. Issues by topic are presented to assist management with their own risk assessment and determine how prevalent certain types of issues may be in Washington government.

All topics include recommendations on both actual compliance / reporting and the adequacy of controls over compliance / reporting. Certain issues, such those related to insurance, debt, conflicts of interest or financial condition are more rare but are presented separately due to the potential significance of problems in these areas.

In the table above, "Other Compliance Issues" includes such topics as bank account control, safeguarding of public health and safety, donations and fundraising, unclaimed property, taxes and assessments, appointing governing body members and non-financial reports or disclosures.

Table 3: Audit Issues by Type of Government

Government Type	2010	2009	2008	2007	2006
State Agencies	299	287	186	332	301
Counties	393	426	294	320	351
Cities	1,040	940	1,063	915	744
Fire and EMS Districts	252	307	276	195	221
Libraries	16	51	20	47	18
Conservation Districts	36	67	29	58	31
School Districts	942	1,017	934	941	758
Colleges & Universities	103	149	173	145	141
Public Utility Districts	51	79	55	66	53
Hospital Districts	156	193	166	143	163
Port Districts	73	141	114	77	105
Transit Authorities	64	53	66	46	51
Water & Sewer Districts	196	133	122	136	85
Other Proprietary Type Governments	167	247	201	213	212
All Other Types of Governments	122	83	101	103	73
Totals	3,910	4,173	3,800	3,737	3,307

Note: figures do not include performance audits, accountability assessments, whistleblower investigations and hotline investigations.

Each type of government has unique laws, activities and operating environments. Audit issues often reflect these unique factors. For example, we find more issues with larger governments with a broader scope of activities, such as Cities and Counties, which is due in part to the inherent difficulty of monitoring such sizable and diverse operations.

In the table above, “Other Proprietary Type Governments” includes other local governments that operate primarily on grants and charges for services, such as Housing Authorities, Air Pollution Control Authorities and Self-Insurance Pools and Irrigation Districts. “All Other Types of Governments” includes other local government that operate primarily on taxes and assessments, such as Weed Districts, Pest Control Districts, Parks and Recreation Districts, Regional Planning Councils, Interlocal Agencies, Cemetery Districts and Diking / Drainage Districts.