

Updates and resources from the Washington State Auditor's Office

Presented to WPPA Small Ports Conference 2024

Niles Kostick, Manager
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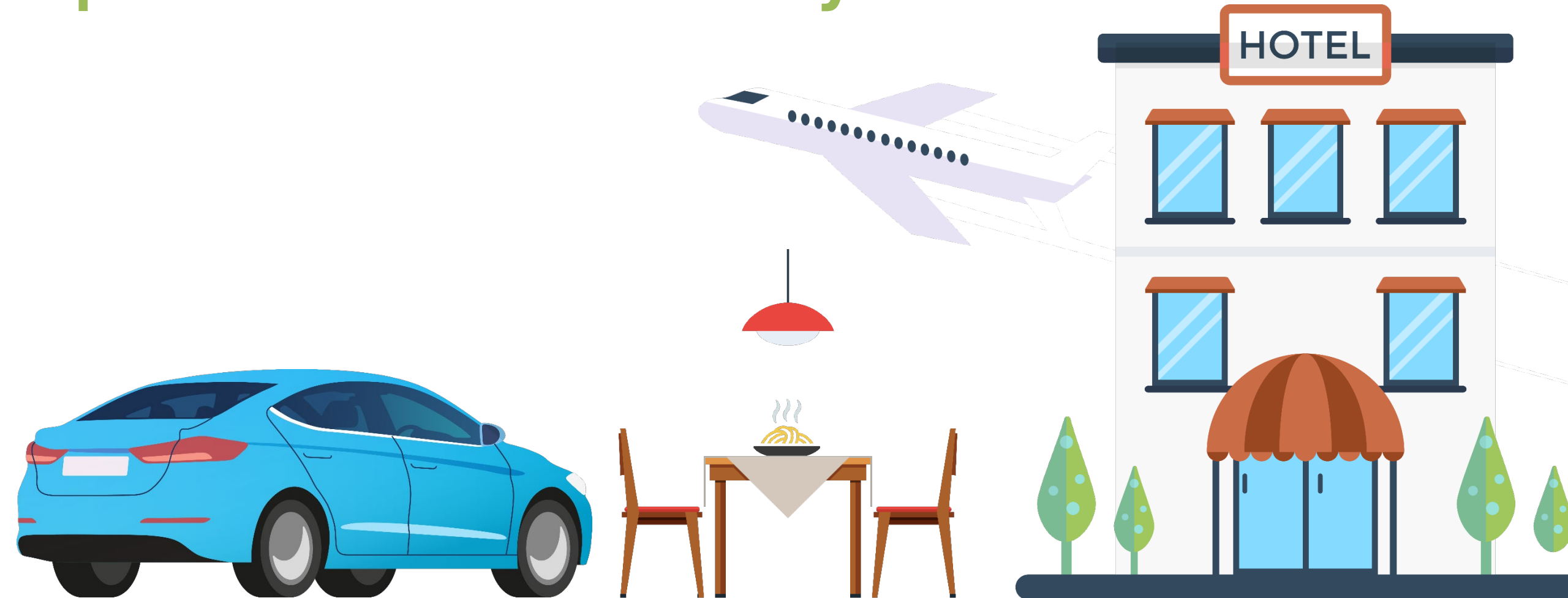
October 2024



Center for Government
Innovation



What does the SAO do, and how can we be partners in accountability?





Niles Kostick, Manager, SAO's Center for Government Innovation

Niles Kostick discovered a passion for helping Washington local governments when he interned at the State Auditor's Office in 2014.

Since then, he has worked in multiple roles throughout the agency, including as an auditor, small-entity subject matter expert and technical researcher.

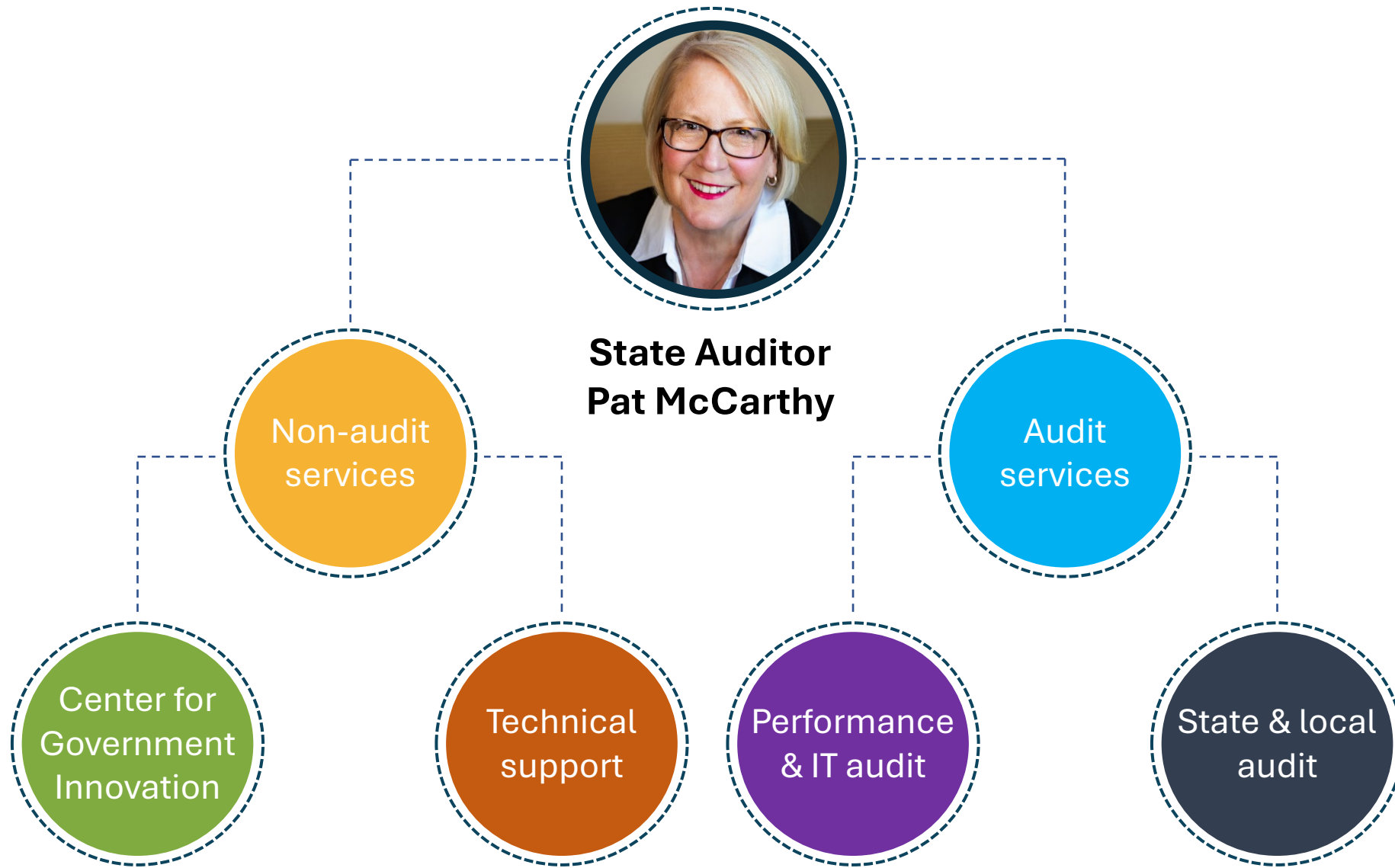
He now manages a team of experts who help local governments solve problems and improve operations.

Presenter information





**State Auditor
Pat McCarthy**



Helping local governments help the people they serve

Supported by the funding created when Washington voters passed Initiative 900 in 2005, authorizing SAO to undertake performance audits.

Offers tools and services to help governments solve problems and improve operations



What the Center does



- **Cyber checkups** to assess your government's vulnerability to common cybersecurity threats
- **Customized Lean facilitations & trainings** to help you improve how work gets done
- **Teambuilding workshops** to help you strengthen your team, increase trust, and promote workplace harmony
- **Financial Intelligence Tool (FIT)** to help you monitor your government's financial health
- **Tools, checklists, and other resources** that provide you with ways to improve internal controls, compliance, and other areas



What the Center does



Gain expert input on improving Port processes

- Public records, agenda preparation
- Marina operations, cash receipting, accounts receivable, etc.
- Onboarding processes
- Process improvement trainings for teams



Process Improvement



Resources for small ports

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Best practices for tracking small and attractive assets

Governments own a variety of assets that fall below their capitalization threshold for financial reporting purposes that require safeguarding. We call them small and attractive assets here in Washington state, but other popular terms include theft-sensitive assets, walk-away assets or controlled assets. Small and attractive assets tend to mysteriously disappear more than other asset types, often because they are portable, attractive for personal use and easy to sell. Some examples include:

- Desktop computers, laptops, tablets, notebooks, monitors, shop tools, shop equipment, power tools, radios, smart phones, cameras, law enforcement weapons, safety equipment, televisions, audio-visual equipment, GPS devices, microscopes, medical devices, optical devices such as binoculars and telescopes (excluded are consumables or other assets that last less than one year).



July 2014

Center for Government Innovation

Office of the Washington State Auditor
Pat McCarthy

Best practices for credit card programs

Credit card programs vary in their nature and size, as well as how the credit cards are used – all of which affect risk of unallowable purchases.

Programs can include traditional credit cards (such as Visa or Mastercard), procurement cards, or merchant cards that allow purchases at a specific retail establishment.

Credit cards can make it easier and less costly to make certain purchases, but there is also an increased risk for misuse or mismanagement. This risk needs to be planned for and mitigated.

The following are some best practices governments might consider when evaluating a credit card program and the related internal controls:



July 2019

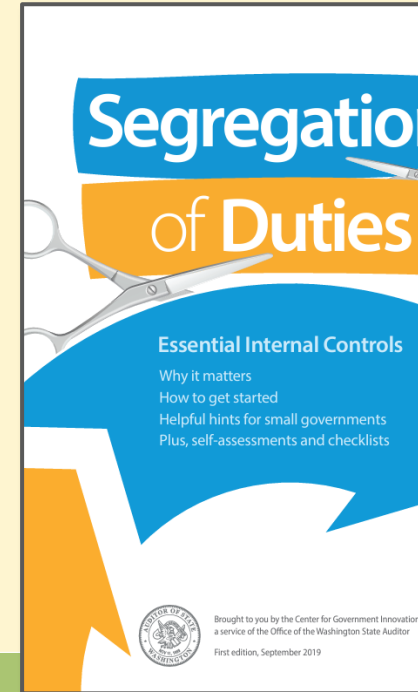
Best practices for credit card programs | 1

Resource Library



Good for smaller governments

Duty (and related page)	Clerk 1	Oversight person
Cash receipt (p. 10)	Collect receipts from customers, prepare the deposit, and make the deposit with the bank	Ensure deposits were made intact by comparing paper receipt records (source records to support the deposit) to bank statement deposit information. This should include confirming that cash vs. check composition is correct for all deposits.
Accounts receivable (p. 15)	Send out billings, post payments to accounts, perform collections	Monitor key reports including aging reports, monthly revenue activity, and adjustments to customer accounts
Payroll (p. 18)	Process and prepare checks (or use a 3rd party vendor or County Auditor if possible)	Review the payroll register, approve time sheets, sign and distribute checks
Accounts payable (p. 21)	Process invoices and prepare checks (or use County auditor)	Review supporting documentation, approve invoices, sign and mail checks
Purchasing and procurement (p. 25)	Obtain or review quotes or bids	Review and sign all contracts or purchase orders
Capital assets (p. 30)	Maintain a listing	Periodically check to ensure all assets are accounted for (inventory) and used for governmental purposes
Banking (p. 33)	Prepare the bank reconciliation	Be the signer on the account. Review the bank reconciliation. Monitor banking activity with direct online access or by having an original statement mailed directly with the copies of endorsed checks.



Appendix A – Examples of duty assignments for small governments

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One-person accounting department

Strong oversight and independent authorization of transactions are essential if you must function with a one-person accounting department. Innumerable risks arise when one person is given so many duties and responsibilities. To adequately mitigate risk, you will need at least one other person to provide oversight. Among your options:

- An elected official or member of the governing body
- An outside contractor, such as a local accounting firm
- A task-exchange with a nearby government, in which you perform oversight functions for each other

Whichever solution you choose, make sure the person involved understands the risks they are looking for. (A quick review of the Risks column in the detailed sections of this guide can help.) And finally, don't rely on an audit to discover fraud or verify it isn't taking place. Every local government is responsible for safeguarding its assets before something happens. Figure 1 illustrates one way duties might be separated in a one-person accounting department.

Figure 1: One way to organize a one-person department

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General ledger (p. 35)	Perform journal entries	Review and approve

Segregation of Duties | Appendix A | 40

Resource Library



Resources for small ports

- Fueling best practices
- Cash receipting, accounts receivable, and accounts payable
- Procurement, buying and bidding
- Internal controls, segregation of duties



Resource Library





Cyber security is a
growing concern

How bad is it?

172

Cases submitted since 2018

\$35 million

In total losses

46

WA local governments reported as
targeted in the past two years





**Cyber security is a
growing concern**

Understanding vulnerabilities

- Social engineering (phishing)
- 3rd party vendors
- Employee training and awareness
- Lack of policies around IT equipment, use and reporting.



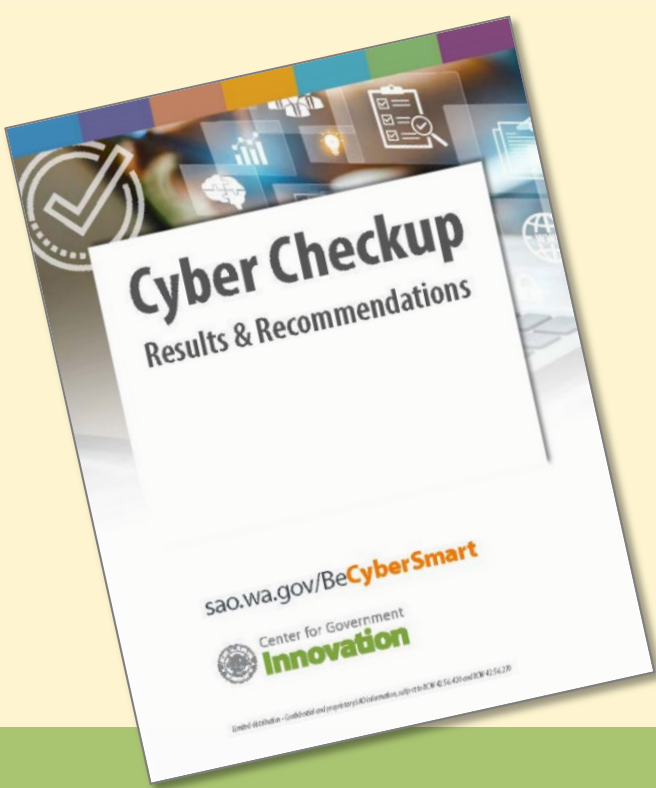


Understanding vulnerabilities

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Cyber security is a growing concern





Cyber checkups

Free assistance for small ports – SAO's Cyber Checkup

A cyber checkup is a free, 20-point inspection to diagnose security gaps.

This assistance does not require staff with technical knowledge of IT systems – anyone can request a checkup.

We provide and help prioritize recommendations.



Cyber Checkup Results: Overview

Area	#	Does your organization...?	Strength of your safeguard		
			Strong	Needs Improvement	Not Implemented
Policies & Training	1.	Establish and maintain written IT policies	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	2.	Have a cybersecurity awareness program in place	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Incident Response	3.	Have a process for employees to report cybersecurity incidents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	4.	Designate a lead and a backup to oversee incident response and recovery	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Accounts & Passwords	5.	Maintain an inventory of emergency contacts and service providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	6.	Require employees to use strong and unique passwords	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7.	Encourage employees to use password managers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	8.	Restrict administrator privileges to dedicated administrator accounts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	9.	Protect accounts with administrative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Actionable recommendations

“The results were a wake-up call about our vulnerabilities ...”

“... we were able to understand real world ways to implement better security ...”

“... immediately improved. The report ... included actionable items that didn’t require a lot of resources to implement.”

Cyber checkups


SAO's Financial Intelligence Tool (FIT)

- Introduced in 2018 to provide an easy to access, easy to understand way of exploring the financial landscape of local governments in Washington
- Can help share financial information without any extra work on your part



Let's take a tour of FIT

- Explore
- Individual Governments
- Government Types
- Navigate By Dollars
- Financial Health
- Data Extracts
- About
- Help
- Style Guide



Office of the Washington State Auditor



How do you want to explore the data?

The State Auditor's Office created this interactive tool to bring transparency to Washington State's public financial data. Click on any of the options below to begin exploring or enter your keywords in the search bar.

- Individual Governments**
Search for and explore local governments by name in Washington State.
- Government Types**
Select and explore various types of local governments across Washington, from pollution and cemetery districts to regional planning councils and water conservancy boards.

Not sure where to start?

We've got some interesting reports ready for you.



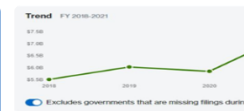
Port/Airport Districts

FIT focus of the month

Updated 4 days ago

Did you know there are more than 80 port/airport districts scattered across our state that generate \$2 billion in revenue? Click to learn more.

[Go to the Profile](#)



Retail Sales and Use Taxes

Updated about 1 month ago

Retail Sales and Use Taxes collected in Washington is a key indicator of economic position. Generally, when times are tough households spend less. Check out collection by local governments the past four years.

[Retail Sales and Use Taxes trend](#)



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SCAN CODE



Information

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