



Washington State Conservation Commission

Policy #	12-17 Conservation District Audits
Applies to:	All Conservation Districts
Effective Date:	December 12, 2012 as approved by a vote of the Conservation Commission

PURPOSE

This policy defines how costs for audits of conservation districts are handled by the Conservation Commission.

BACKGROUND

For the purposes of statewide efficiency and audit effectiveness, the Conservation Commission works closely with the State Auditor to coordinate audits of conservation districts. Rather than have each conservation district negotiate an agreement with the State Auditor for every audit, the Conservation Commission and the State Auditor periodically develop a statewide audit schedule.

- The audit schedule is developed and reviewed from data submitted by the conservation districts to the auditor. These documents include the Schedule 22 and additional Schedules identified in the BARS manual. These schedules are due to the auditor 150 days after January 1st.
- Each conservation district is responsible for complying with laws and regulations governing proper governmental operations and management of public assets. The Conservation Commission also has a duty to promulgate standard practices and monitor the management of assets by conservation districts per RCW 89.08.070(5) and (12).

POLICY

This policy applies only to audits performed by the State Auditor's Office.

For the purposes of this policy, three types of audits are recognized: regular, single, and fraud:

- "regular audit" is one that is periodically scheduled by the State Auditor to assure local compliance with financial and governmental standards;
- "single audit" is one performed by the State Auditor when federal grant funds of \$500,000 or more are expended in a calendar year; and
- "fraud audit" occurs based on complaints from whistleblowers and others, or from evidence of potential fraud, misuse of public assets, or misappropriation of public funds.

Conservation districts are responsible for payment of all audit costs. The cost of an audit is set by the state auditor on a yearly basis, conservation districts are notified of the cost of the audit when they are notified of selection for an audit. A regular audit is a Conservation Commission grant reimbursable expense.

In the event of a regular audit of a conservation district that exceeds the amount set by the State Auditor, the State auditor will enter into a memorandum of agreement with the affected conservation district to recoup the additional costs.

The Conservation Commission will not pay for the costs of a federal single audit. Conservation districts should include an estimate of such audit costs in their federal grant.

Fraud Audit

The Conservation Commission reserves the right to not reimburse audit costs related to a fraud audit. In cases of real or potential fraud, misuse of public assets, or misappropriation of public funds, the Conservation Commission may encourage conservation districts to pursue other options to recover losses and expenses related to the audit.

PROCEDURE

The Conservation Commission will continue to coordinate the development of a statewide audit schedule with the State Auditor. Conservation Commission staff will meet regularly with representatives of the State Auditor's Office for this purpose.

By previous agreement with the State Auditor, invoices for district audits are sent directly to conservation districts by the State Auditor. Conservation districts shall review audit invoices and the district shall pay the invoice. The district may then submit a voucher to the Conservation Commission for payment from their eligible grant.

Conservation Commission staff will review and approve requests for payment of audit costs when such costs are within the budgeted amount for that conservation district, and when the request is signed by a representative of the district board. The district will be notified by email of such approval. All other situations will result in additional communications with Conservation Commission staff to clarify proper procedures. Failure to follow these procedures will result in non-payment of the audit invoice.

When audit costs are related to a real or potential case of fraud, misuse of public assets, or misappropriation of public funds, Conservation Commission staff will;

- Assist the conservation district in following the proper procedure for requesting Commission financial assistance.
- An initial determination will be drafted by Conservation Commission staff, describing the degree to which the fraud or misappropriation situation was detectable and preventable/correctable by the district.
- The Conservation Commission will review the initial determination, interview one or more representatives of the affected district – including at least one board member – and may then choose to pay for all, some, or none of the fraud-related audit costs.

EFFECTIVE PERIOD

This policy is effective for audit costs incurred after the effective date of this policy.