



**Office of the Washington State Auditor**  
**Pat McCarthy**

# **Accountability Audit Report**

## **Kitsap County**

**For the period January 1, 2017 through December 31, 2017**

**Published December 3, 2018**

**Report No. 1022696**





**Office of the Washington State Auditor  
Pat McCarthy**

December 3, 2018

Board of Commissioners  
Kitsap County  
Port Orchard, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for County operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the County's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Audit Results.....	4
Related Reports.....	6
Information about the County.....	7
About the State Auditor's Office.....	8

## AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, County operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we noted certain matters that we communicated to County management and Board of Commissioners in a letter dated November 27, 2018, related to the County's controls over small and attractive assets. We appreciate the County's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of Kitsap County from January 1, 2017 through December 31, 2017.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the County's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the year ended December 31, 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Use of restricted revenues for diverted county road levy taxes
- Procurement policies and procedures
- IT data backup and recovery
- Payroll – general procedures, settlement payouts, leave payouts and overtime
- Accounts payable – general disbursements and electronic vendor payments
- Park's department – follow-up on prior cash receipting and small and attractive asset recommendations
- Clerk's office – cash receipting, adjustments and juror payments

- Facilities department – credit cards, vendor account purchases, small and attractive assets
- Treasurer’s office – investments, cash receipting, small and attractive assets and credit cards
- Public works department (roads and all utilities) – cash receipting, fuel usage and small and attractive assets

## RELATED REPORTS

### **Financial**

Our opinion on the County's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the County's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

That report includes a finding for a material weakness in internal controls over financial reporting regarding inadequate controls to ensure accurate and complete reporting.

### **Federal grant programs**

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the County's major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes federal findings regarding the County's internal controls ensuring compliance with sub-recipient monitoring, equipment management, cash management, federal procurement and suspension and debarment compliance requirements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

### **Other reports**

During the current audit period, the State Auditor's Office issued a report on agreed-upon procedures performed at the County. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE COUNTY

Kitsap County was formed in 1857 from parts of King and Jefferson counties and includes four incorporated cities: Bremerton, Bainbridge Island, Poulsbo and Port Orchard. The County is home to Puget Sound Naval Shipyard, Naval Base Kitsap and the Keyport Undersea Warfare Research Station. It serves approximately 262,000 citizens.

The County is governed by a three-member Board of Commissioners, elected by district voters to staggered, four-year terms. Additional elected officials help administer the County including Assessor, Auditor, Clerk, Coroner, Prosecutor, Sheriff, Treasurer and judges for the District and Superior Courts. The County has approximately 1,200 employees.

The County provides some services on a countywide basis and some services only to unincorporated areas. Services include road construction and maintenance, flood control, parks and recreation facilities, court services, law enforcement and criminal detention. In addition, the County provides tax assessments and collections, planning, zoning, rehabilitative services, public health care, election administration, treasury services and processing and disposing of solid and liquid wastes. The County operates on an annual budget of approximately \$388 million.

### Contact information related to this report

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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Kitsap County at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
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