



Office of the Washington State Auditor  
Pat McCarthy

## **Accountability Audit Report**

# **Lewis Mason Thurston Area Agency on Aging**

**For the period January 1, 2019 through December 31, 2022**

*Published August 26, 2024*

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

August 26, 2024

Council of Governments  
Lewis Mason Thurston Area Agency on Aging  
Olympia, Washington

**Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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 Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Agency'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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## AUDIT RESULTS

### Results in brief

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

As referenced above, we identified areas where the Agency could make improvements. These recommendations are included with our report as a finding.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

### About the audit

This report contains the results of our independent accountability audit of the Lewis Mason Thurston Area Agency on Aging from January 1, 2019 through December 31, 2022.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Agency's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2022, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Annual reporting filing – timeliness and completeness
- Payroll – gross wages
- Accounts payable – general disbursements, credit cards and electronic funds transfers
- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **Lewis Mason Thurston Area Agency on Aging January 1, 2019 through December 31, 2022**

#### **2022-001 The Agency lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions.**

##### ***Background***

Federal and state agencies, the Council of Governments and the public rely on the information included in financial statements and reports to make decisions. The Agency is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance its financial reporting is reliable. State law (RCW 43.09.230) requires the Agency to submit an annual financial report to the State Auditor's Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules.

##### ***Description of Condition***

The Agency did not submit the required annual reports to our Office within 150 days of fiscal year-end. The Agency filed its 2019, 2020, 2021 and 2022 annual reports 71, 288, 315 and 276 days late, respectively.

##### ***Cause of Condition***

Agency leadership did not dedicate the necessary resources to establish controls that ensure timely financial reporting.

##### ***Effect of Condition***

Delays in the availability of complete and accurate financial reports prevent Agency officials, the public and other interested parties from obtaining timely information. Such delays also hinder public transparency and our Office's efforts to compile statistical and financial information that the Legislature and others use.

## ***Recommendation***

We recommend the Agency establish internal controls to ensure timely financial reporting in accordance with state law.

## ***Agency's Response***

*The agency identified in the 2021 audit that they would be out of compliance for 2022 audit as with the back up of audits, one needs to be completed before we can start another.*

*As our new CFO came on 6/28/2023 and was not able to receive any pass down/training from the previous CFO. At that time, the 2022 audit was already past due. She was tasked with billings catch up and audit preparations as her top priorities upon her arrival. She utilized resources that were available to her, including the SAO technical team, for assistance with the financial preparation and worked very closely with them to gather the information needed to prepare and submit the financial statements.*

*At the conclusion of the 2022 audit, we will be submitting the financial statements to begin the 2023 audit. We acknowledge that this audit will be considered late also. It is our intent that we will be in compliance for the 2024 audit deadline.*

## ***Auditor's Remarks***

We thank the Agency for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Agency's corrective action during our next audit.

## ***Applicable Laws and Regulations***

RCW 43.09.230, Local government accounting – Annual reports – Comparative statistics.

Budgeting, Accounting and Reporting System (BARS Manual) 3.1.3, Internal Controls

BARS Manual 4.1.6, Reporting Requirements and Filing Instructions for Special Purpose Districts

## RELATED REPORTS

### **Financial**

Our opinion on the Agency's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Agency'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 over financial statement preparation procedures.

### **Federal grant programs**

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Agency's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE AGENCY

The Lewis Mason Thurston Area Agency on Aging serves senior citizens and disabled adults who live in Lewis, Mason and Thurston counties. Its major functions include funding, coordinating, planning, providing direct services and advocating for these individuals, their caregivers and community support system. The Agency operates on approximately \$17.5 million annual budget with approximately 101 employees. A majority of its revenue comes through state and federal grants.

The Agency is responsible to the federal Department of Health and Human Services, Administration for Community Living and the Washington State Department of Social and Health Services, Aging and Long Term Support Administration, which oversee the Area Plan. Locally, the Agency is governed by a Council of Governments created by Lewis, Mason and Thurston counties. A Council-appointed Executive Director oversees day-to-day operations.

### 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 the Lewis Mason Thurston Area Agency on Aging at <http://portal.sao.wa.gov/ReportSearch>.



## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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