



## SAAM CHAPTERS 20 AND 22

FMAC

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### SAAM 20/SAAM 22

- » SAAM Internal Control/Internal Audit Sections.
  - › RCW [43.88.160\(4\)\(a\)](#) was amended.
- » Section 20.30 Suspected Losses of Public Funds or Property was moved to Section 70.75.
- » Section 20.40 Internal Auditing became the new Chapter 22.

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### SAAM 20/SAAM 22

- » RCW 43.88.160(4)(a) The director of financial management, as agent of the governor, shall:
  - › Develop and maintain a system of internal control to be adopted by each agency to:
    - Safeguard assets
    - Check accuracy and reliability of accounting data
    - Promote operational efficiency
    - Encourage adherence to managerial policies for accounting and financial controls.

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**SAAM 20/SAAM 22**

- » RCW 43.88.160(4)(a) (cont.)
- › Determine which agencies an internal audit program is required (SAAM 22)
- › Agency head is assigned the responsibility and authority to:
  - Establish and maintain internal audits that follow professional audit standards including:
    - GAGAS (Yellow Book), or
    - IIA standards, or
    - Both

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**SAAM 20/SAAM 22**

- » RCW 43.88.160(4)(a) (cont.)
- › For agencies not required to have internal audit programs
  - The Agency head may establish and maintain internal audit programs that follow professional standards
- › At a minimum must comply with policies as established by the director to assess the effectiveness of the agency's systems of internal controls (Internal Control Officer – SAAM 20).

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**SAAM 20/SAAM 22**

- » Revised SAAM 20 was issued July 1 of 2017. Requirements for Internal Control Officer.
- » New SAAM 22 was issued in July 1 2017. Requirements for Internal Audit Program.
- » Changes effective for FYE June 30, 2018

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**SAAM 20**

- » COSO and the Green Book (GB)
  - › GB Issued by the GAO Comptroller General for the federal government community
  - › Used COSO as their starting point
  - › More plain talk than COSO
  - › Designed for Government
  - › Available electronically at no charge <http://www.gao.gov/greenbook/overview>

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**SAAM 20**

- » It will take a lot of thought and work to implement
- » There is no one-size-fits-all checklist
- » It is an on-going process that
  - › Is tailored to your size
  - › Takes into account changes
- » Use it to enhance your internal policies and approach
- » Strive to incorporate the principles and points of focus in all aspects of your agency's internal controls.

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**SAAM 20**

- There are 5 points that are not new but need emphasis
1. Every agency must appoint an Internal Control Officer who provides written assurance at least annually to the agency head that the agency has performed the required risk assessments and the associated internal control monitoring processes.
  2. Risk assessment is one of the components of the framework and therefore needs to be done by every agency annually.

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**SAAM 20**

**Required risk assessments:**

- » Should address financial reporting and federal program compliance objectives.
- » They can be done agency-wide at one time or by sections of the agency over a period of time.
- » The agency should
  - › Consider significance when planning the assessment and monitoring.
  - › Strive to address high risk areas at least once a biennium.

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**SAAM 20**

**Risk assessment and internal control monitoring process:**

- » Designed to provide management with reasonable assurance that controls are operating as expected.
- » Used to determine if internal control modifications are needed by considering various changes.
- » Any internal control weaknesses should be documented and addressed in a timely manner.

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**SAAM 20**

**3. SAAM Chapter 20 is referenced in item 7 on the annual Financial Disclosure Certification**

- › We are responsible for and have established and maintained an effective system of internal controls as prescribed by SAAM Chapter 20.
- › Our agency's system of internal controls incorporates adequate procedures and controls to
  - safeguard our assets,
  - check the accuracy and reliability of our accounting data,
  - promote operational efficiency, and
  - encourage adherence to policies for accounting and financial controls.
- › If there are significant deficiencies in internal control, a summary of the deficiencies and corrective action is attached to this certification.

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**SAAM 20**

4. Internal controls related to fraud are referenced in item 8 on the annual Financial Disclosure Certification.

- › We are responsible for designing and implementing programs and controls to prevent and detect fraud.
- › We have disclosed to the auditors all known instances and allegations of fraud or suspected fraud involving management and employees who have significant roles in internal control.
- › We have also disclosed known instances and allegations of fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.

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**SAAM 20**

5. SAAM 20 has no materiality

- › SAAM 20 applies to the agency operations regardless of the materiality of the financial transaction.
  - Seems to be perception that this chapter only applies to material CAFR items
  - The 4 stated objectives of the RCW must be addressed regardless of materiality

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**SAAM 22**

- » SAAM 22 is a new chapter specifically for Internal Audit.
- » Specifies which state agencies must have an internal audit program.
- » The agencies required are listed on the OFM Accounting resource site.  
[http://ofm.wa.gov/resources/internal\\_audit.asp](http://ofm.wa.gov/resources/internal_audit.asp).
- » On a periodic basis OFM will review the list and may add or remove agencies. i.e. DCYF

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**SAAM 22**

Agencies Required by OFM Director to Establish an Internal Audit Program

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|--------------------------------|--|
| Office of the State Treasurer  | State Health Care Authority            |
| State Lottery Commission       | Department of Retirement Systems       |
| State Investment Board         | Department of Revenue                  |
| Washington State Patrol        | Department of Labor & Industries       |
| Department of Licensing        | Department of Social & Health Services |
| Department of Corrections      | University of Washington               |
| Washington State University    | Eastern Washington University          |
| Western Washington University  | Department of Transportation           |
| Employment Security Department |  |

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**SAAM 22**

» For those agencies that the OFM director determines internal audit is not required, the agency head or authorized designee may elect to establish and maintain an internal audit program

- » All internal audit programs, whether required or elected, must follow professional audit standards
- generally accepted government auditing standards (GAGAS), or
  - standards adopted by the Institute of Internal Auditors (IIA), or
  - both.

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**SAAM 22**

» Internal auditing is an independent, objective assurance and consulting activity designed to:

- › Add value and improve an organization's operations.
- › Help an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:
  - Risk management
  - Control, and
  - Governance processes.

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## SAAM 22

- » Internal auditors are not authorized to:
  - › Provide assurance services for any area for which they perform operational duties, such as designing or implementing internal controls, developing procedures, installing systems, preparing records, directing employees, or engaging in any other activity that may impair their objectivity.
  - › Participate in collective bargaining (RCW [41.80.005](#)).
  - › Be appointed the Internal Control Officer.
- » Internal Auditors for agencies electing need to rename the Internal Audit function if not following standards.

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## SAAM 22

- » Annually, each agency director or board of an agency with an internal audit program is required to sign and submit an internal audit certification. By signing the certification, they certify that they are responsible for establishing and maintaining an internal audit program in accordance with RCW [43.88.160\(4\)](#) and this chapter.

If applicable, a summary of any material nonconformance and a brief corrective action plan must be attached to the certification. "Material nonconformance" is defined as not meeting a core principle or common mandatory attribute to an extent that it impacts the internal audit program's ability to fulfill its objectives.

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## What's next?

- » Questions?
  - › Contact Don or your accounting consultant.

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