

State of Washington
 Status of Audit Resolution
 December 2019

Department of Ecology

Agency 461

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	016	<p>Finding: The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.</p> <p>Corrective Action: In response to the audit recommendations, the Department updated agency policy on subrecipient monitoring. A new policy has also been developed to formalize program responsibilities for corrective actions and audit resolution.</p> <p>Additionally, the Department developed procedures on managing subawards to ensure federal compliance, which include:</p> <ul style="list-style-type: none"> • Requiring subrecipients to return postcards to indicate if they are subject to audit requirement. • Assigning dedicated staff to maintain the tracking spreadsheet used to monitor subrecipient audit activities. • Establishing a communication protocol to notify programs when subrecipients receive audit findings, and the required follow-up actions. Increasing oversight of subrecipients who are not meeting Department requirements. The Department may apply sanction for continued non-compliance. <p>The Department is also developing policies, procedures and a checklist for programs to clarify their roles and responsibilities related to follow-up of audit items.</p> <p>Completion Date: Corrective action is expected to complete by January 2020</p> <p>Agency Contact: Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>

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Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	017	<p>Finding: The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.</p> <p>Corrective Action: The Department partially concurs with the finding.</p> <p>The finding resulted from conflicting guidance provided by the regional office of the Environmental Protection Agency (EPA) and the guidance the auditor received from EPA’s Office of Inspector General.</p> <p>The Department requested clarification and guidance from the EPA on how to properly report federal equivalency expenditures on the quarterly financial reports and the schedule of expenditures of federal awards (SEFA).</p> <p>In June 2019, EPA provided the following official guidance for reporting equivalency projects:</p> <ul style="list-style-type: none"> • The SEFA should report funds disbursed to the Equivalency projects regardless of funding. • The quarterly reports should report actual draws from the Capitalization grants. • The quarterly reports should not be used for the SEFA. <p>The Department has since updated tracking spreadsheets to capture all funds disbursed for equivalency projects.</p> <p>In June 2019, the Department received guidance from EPA to implement appropriate procedures related to the financial reporting of equivalency projects in accordance with the guidance received.</p> <p>Completion Date: June 2019, subject to audit follow-up</p> <p>Agency Contact: Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 Janis.Henry@ecy.wa.gov</p>

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1023397	2018-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department’s internal controls over financial statement preparation are inadequate to ensure accurate reporting. OPEB and Pension statements were not included in the Financial Statements.</p> <p>The errors identified by the auditors were corrected in the Department’s final financial statements.</p> <p>The finding was due to timing difference between the receipt of pension and other postemployment benefits information and the date the annual report to the federal grantor was due.</p> <p>In response to the finding, the Department:</p> <ul style="list-style-type: none"> • Discussed with the Office of Financial Management (OFM) to obtain the Department’s pension and other postemployment benefits data for the Clean Water State Revolving and the Water Pollution Control Revolving Accounts by the end of September each year. • Initiated discussions with the State Auditor’s Office to perform agreed upon procedures instead of financial statement audits. The former is less time-consuming while also acceptable by the federal grantor. • Established a process to identify new GASB standards each year and confirm with OFM if they have potential impact on the financial statements. <p>As of October 2019, the Department updated procedures to include all new GASB standards and detailed instructions on preparing the financial statements to meet standards.</p> <p>October 2019, subject to audit follow-up</p> <p>Lisa Darnell Fiscal Manager PO Box 47615 Olympia, WA 98504-7615 (360) 407-7052 lisa.darnell@ecy.wa.gov</p>

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1024311	2018-001	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Ecology did not have adequate internal controls over and did not comply with requirements to conduct underground storage tank compliance inspections every three years.</p> <p>The Department has not met the federal requirement of inspecting every underground storage tank (UST) every three years mainly due to the high turnover of inspection staff in some regional offices.</p> <p>The Department is aware of the situation and has taken the following actions:</p> <ul style="list-style-type: none"> • Expedited the training of new UST inspectors to conduct independent inspections. • Provided cross training to staff to conduct UST inspections. • Assigned inspectors from other regional offices to assist with the workload of the short-staffed regions. <p>As of October 2019, all past due inspections identified in the audit had been completed. The Department is actively monitoring upcoming inspections and managing inspection backlog.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"> • Create a new report from the UST database to identify UST sites in each region that are within six months of the end of the three-year period, and take appropriate actions. By December 2019, the Department expects the reporting capability to be fully functional. • Allocate sufficient resources to each region to ensure that every UST site is inspected every three years to meet federal and state requirements. • Continue to submit quarterly reports to inform the federal grantor on UST sites that have not yet met the three-year inspection cycle requirement. The third quarter report was recently submitted to the federal grantor and no concern was raised in the Department's performance in this area. <p>Corrective action is expected to be complete by December 2019</p> <p>Lisa Darnell Fiscal Manager PO Box 47615 Olympia, WA 98504-7615 (360) 407-7052 lisa.darnell@ecy.wa.gov</p>