

State of Washington
 Status of Audit Resolution
 December 2019

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
2018 F	001	<p>Finding: The State should improve internal controls over specific areas of recording and reporting financial activity in the State’s financial statements.</p> <p>Corrective Action: The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below:</p> <p><i>State Board for Community and Technical Colleges</i></p> <p>It is the Board’s priority to ensure accurate financial data from the new financial system (ctcLink) is interfaced into the Agency Financial Reporting System (AFRS). Since the fiscal year 2017 audit, the Board has had a support team dedicated to assist the two colleges who implemented the ctcLink system to close their prior fiscal years.</p> <p>As of July 2018, the Board required all colleges’ fiscal months be closed on the same schedule.</p> <p>As of November 2018:</p> <ul style="list-style-type: none"> • The Community Colleges of Spokane closed fiscal years 2016, 2017, and 2018. • The Tacoma Community College closed fiscal year 2018. <p>The Board is currently reviewing and reconciling the colleges’ financial data to AFRS; making necessary adjustments to ensure the data was recorded accurately in the system. The Board will continue to work with college staff to resolve outstanding issues.</p> <p>As of April 2019, the Board implemented an automated process for uploading data from the ctcLink system to AFRS. The new process reduces the Board’s workload and enables more timely and accurate reconciliations and adjustments of college financial data reported in AFRS at year-end.</p> <p>On July 2019, a newly re-designed global chart of accounts system was implemented, which has significantly improved the college system’s ability to consistently track and report revenue and expenses. However, this implementation also necessitated the customization of the AFRS upload process to be re-configured to work with the new chart of accounts.</p> <p>As of October 2019, testing of the customization of the AFRS upload process was complete and was successfully deployed. In the coming months, the State Board anticipates the first ctcLink college data to be uploaded to AFRS using the updated customization.</p>

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2018 F	001 (cont'd)	<p><i>Department of Licensing</i></p> <p>The Department has completed a reconciliation of revenues to identify the sources of receipts in the clearing account and to correctly classify revenue in the accounting records.</p> <p>Additionally, the Department implemented new processes to ensure sources of revenue receipts are promptly identified and accurately recorded in the state's accounting system.</p> <p><i>University of Washington</i></p> <p>Since the University has a different accounting basis for reporting, OFM processes year-end adjustments to consolidate and properly report the University's financial information in the state's financial statements. In fiscal year 2018, certain misclassification of funds on the University's financial statements were not identified timely, resulting in misstatements on the state's financial statements.</p> <p>OFM and the University have been working on strengthening internal controls to ensure the year-end process for consolidating, adjusting and reporting year-end financial data in the state's accounting system are completed timely and accurately.</p> <p>As of June 2019, OFM implemented a monitoring plan for higher education institutions to identify issues that require immediate attention during the fiscal year. In addition, OFM will request the financial statements from each university and will compare material amounts on the statements to AFRS. Any variances identified will be evaluated with each university.</p> <p>For the fiscal year 2019 CAFR, OFM conducted an analytical review of the University of Washington's financial statements before the CAFR opinion was issued.</p> <p><i>Office of Financial Management</i></p> <p>OFM prepares the state's financial statements in accordance with generally accepted accounting principles. OFM concurs that several year-end adjustments were inaccurately recorded in fiscal year 2018 when implementing the new accounting standards related to pensions and other post-employment benefits. These errors were corrected in the state's final financial statements.</p> <p>OFM is responsible for ensuring all agencies report their fiscal activities accurately, and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has the following procedures in place to monitor and identify significant agency activities that may impact the state's financial reporting:</p>

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2018 F	001 (cont'd)	<ul style="list-style-type: none"> • Perform quarterly, mid-year, and year-end analytical reviews to detect unusual or questionable transactions. • Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact. • Conduct necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the State's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board. • Monitor agencies' financial data by running monthly reports from AFRS to identify incorrect transactions and questionable balances. <p>In fiscal year 2018, OFM utilized a new financial reporting software tool to prepare the State's Comprehensive Annual Financial Report (CAFR). The reporting software tool improved the efficiency and accuracy for developing the report. For fiscal year 2019, OFM has extended the agreed-upon opinion date for the CAFR, allowing additional time for preparation and review. OFM expects that increased proficiency in using the reporting software tool and additional preparation time will allow sufficient dedicated resources for year-end review.</p> <p>OFM maintains ongoing communication with agencies and continually emphasizes the need to seek OFM guidance when reporting unique accounting activities.</p> <p>As of January 2019, OFM:</p> <ul style="list-style-type: none"> • Increased communication with agencies regarding the importance of performing regular and timely general ledger reconciliations. • Identified agencies with significant impact to the state's financial statements. Quarterly engagement meetings have been initiated with those agencies to discuss current issues and concerns, and to communicate any updated implementation guidance for new accounting standards. <p>OFM will continue to:</p> <ul style="list-style-type: none"> • Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues. • Provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities. • Work with the State Board for Community and Technical Colleges, Department of Licensing, and the University of Washington to strengthen their internal controls over processing and reporting of financial activities.

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2018 F	001 (cont'd)	Completion Date: Corrective action is expected to be complete by June 2020 Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 brian.tinney@ofm.wa.gov