
State of Washington State Grants

Report Number: 1006575

Objectives: In the absence of centralized guidance and criteria, are state agencies effectively managing state grants and are state agencies reimbursing grant recipients for unallowable or unsupported costs?

Summary: The state's accounting system does not specifically identify state grant expenditures. Instead, it includes them in an expenditure category entitled "other grants and benefits." The state also does not provide agencies with centralized grant management guidance.

The audit found significant differences in four agencies' grant management. Two agencies' practices led to questionable payments while other agencies were using best practices. For most programs reviewed, payments to grant recipients were allowable and supported. In instances where questionable payments were found, the agencies began to implement new policies and procedures during the audit to address the internal control weaknesses.

Recommendation: The auditors recommended that the Office of Financial Management:

- Develop a clear definition of state grants.
- Refine coding in the state's accounting system so it can identify and quantify state grant expenditures.
- Update the *State Administrative and Accounting Manual* or Internal Controls Resources website to include guidance on grants management to help ensure consistency.

Agency Response: The Office of Financial Management (OFM) agrees that statewide guidance on grants management could be improved. OFM has initiated research into best practices and made contact with the Washington Association of Contract Specialists (WACS). At the September 15, 2011, WACS meeting, OFM presented preliminary information on this state grants audit and asked for agency representatives to work on a statewide best practices workgroup to formulate guidance, develop tools, and identify resources for grants management which will be made available to all agencies on OFM's website.

Current plans are for the best practices workgroup to begin meeting early in 2012 and have guidance available on the website by July 2012. The workgroup will establish a working definition of grants for purposes of developing guidance and will address key areas of grants management such as risk assessment, monitoring, documentation and overhead allocation. Additionally, OFM will seek opportunities to share best practices such as trainings/presentations for state contracting, fiscal and program staff, and communications through email distribution groups and newsletters.

The coding elements and structure of the state's accounting system follow generally accepted accounting requirements. Object of expenditure classifies what good or service is being obtained. For instance, Object N is used for grants, benefits, and client services. The source of funding for the expenditure is captured through the use

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of revenue source and expenditure authority type coding. The use of specific combinations of coding elements reasonably identifies state grant expenditures.

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