
Department of Commerce (COM)

Agency: 103

Audit Report: 2012 F

Finding Number: 007

Finding: The Department of Commerce does not adequately monitor subrecipients of the HOME Investment Partnership Program to ensure subrecipients use federal grant money for authorized purposes and in compliance with laws, regulations, and grant and contract provisions.

Resolution: In December 2012, the Department judgmentally selected client files from each of the HOME Tenant Based Rental Assistance (TBRA) subrecipients for monitoring review. The Department completed 11 of the subrecipient monitoring reviews; two others are in progress. To conduct the monitoring reviews, the Department requests the following documentation from subrecipients:

- Tenant's signed lease including lease addendum.
- Initial Housing Quality Standards (HQS) inspection report.
- Annual re-inspection report.
- Initial documentation of household income.
- Annual recertification of household income.
- Initial documentation of tenant rent calculation.
- Annual re-calculation of tenant rent.
- If applicable, documentation showing the tenant is eligible for tenant selection preference(s).
- Rental Assistance Contract between the agency and the landlord.
- If the tenant has terminated, the termination documentation.

For the 11 completed monitoring reviews, the Department found all households were eligible for the program.

The Department scheduled the remaining five HOME TBRA subrecipients monitoring reviews through the end of December 2013. The Department will report on the two in progress as well as the five scheduled reviews by the end of April 2014.

HOME TBRA is developing a written monitoring plan. The plan is scheduled to be completed by the end of December 2013.

With respect to unit inspections, the Department reviewed a total of 39 Housing Quality Standards (HQS) inspection reports. All the units reviewed received initial and, where appropriate, annual inspections. One unit did not provide evidence of the state-required carbon monoxide (CO) alarms in the initial review, but has since provided that documentation. Two were not using the HQS inspection form, but were using a modified version. The Department instructed the subrecipients to use the HQS inspection form. The subrecipients provided written confirmation that they understood and agreed to use the HQS inspection form.

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To accomplish future annual monitoring of HQS inspection reports, the Department instructed subrecipients to certify the completion of annual inspections and the annual pass/fail for each tenant. Each subrecipient completes and signs a form that includes tenant names and dates of inspections, or indicates the tenant terminated services before the annual inspection due date.

Certifications were due to the Department by September 30, 2013. The Department will request copies of approximately 20 percent of HQS inspections performed. The Department spoke with a U.S. Department of Housing and Urban Development (HUD) representative who agreed comparison of inspection reports to the certifications provides additional assurance of compliance with regulations. The Department will provide HUD with the results of this comparison.

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Status of Audit Resolution

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Department of Commerce (COM)

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Audit Report: 2012 F

Finding Number: 008

Finding: The Department of Commerce does not have internal controls to ensure the Department pays out HOME Investment Partnership program income before requesting federal cash draws and interest earned on federal cash advances is returned to the federal government.

Resolution: The Department established procedures and internal controls to ensure program income is used before grant funds. The accounting manager established regularly scheduled draws to occur on or around the 10th and 25th of each month, regardless of the dollar amount.

The fiscal analyst in accounting who manages the U.S. Bank HOME program income account provides the HOME General Purpose Manager, the HOME Tenant Based Rental Assistance (TBRA) Manager, and the Community Services and Housing Division Financial Operations Manager with a monthly account statement. The HOME General Purpose Manager reviews the monthly account statement and receipts the program income (PI) balance amount into the Integrated Disbursement Information System (IDIS). The General Purpose Manager enters the date of the account statement into the comments field on the add receipt page in IDIS, prints a screenshot of the page, attaches it to the PI account statement, and files the documents.

As HOME vouchers are received for general purpose and TBRA, managers review the PI balance in IDIS and use those funds prior to grant funds. The account is brought as close to zero as possible before the federal cash draw is requested. An accounting supervisor reconciles the checking account monthly, and the accounting manager approves the reconciliation.

Related to the \$214 interest earned in the U.S. Bank account, U.S. Department of Housing and Urban Development (HUD) wrote in an August 26, 2013 letter, "Any interest earned on program income in the state's local HOME account pending it's use is program income... The state is not required to remit that interest to HUD."

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Department of Commerce (COM)

Agency: 103

Audit Report: 2012 F

Finding Number: 009

Finding: The Department of Commerce does not have sufficient internal controls to ensure all of its subrecipients receive audits as required.

Resolution: In response to a similar audit finding in the State of Washington Single Audit report issued in March 2012, the Department enhanced its Contract Management System (CMS) with an audit tracking module. Functionality includes the ability to store audit reports from the state auditors, Certified Public Accounting firms, and federal sources; search by contract or vendor number for audit reports; record audit receipt dates; and track requests for management decision letters.

Additionally, staff can generate CMS reports to identify contractors with federal expenditures of \$500,000 or greater to help identify subrecipients requiring audits. Other reports provide lists of audit due dates and lists of audit findings: Office of Management and Budget (OMB) Circular A-133 Audit Tracking Extract report lists all contractors requiring a federal audit by contractor fiscal year; and the Audit Required Extract report lists contractors who have not submitted by their due date. The Department implemented the enhancements in October 2012. Quarterly, the internal auditor runs reports and follows through with program staff to help ensure federal audits are received timely.

The Department provided training on the use of the audit function in CMS. Additionally, the CMS help desk created a video, 'Audit Information in CMS,' that is accessible to staff at any time.

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Audit Report: 2012 F

Finding Number: 025

Finding: The Department of Commerce does not have adequate controls to ensure it draws Low-Income Home Energy Assistance Program federal funds in accordance with the Cash Management Improvement Act Agreement.

Resolution: The Department reviewed its procedures and corrected the timing of the Low Income Home Energy Assistance Program federal draws to coincide with the Cash Management Improvement Act (CMIA) Agreement.

The Department established procedures and internal controls to ensure program income is used before grant funds. The accounting manager established regularly scheduled draws to occur on or around the 10th and 25th of each month, regardless of the dollar amount.

Accounting created a report to record items not in compliance with the CMIA agreement. The Department tracks the time period from a requested draw to the time the monies are received. When an 'overdraw' situation is created by an adjustment or a draw, the Department tracks the time period from the creation of the 'overdraw' to the point when monies can be refunded or expenditures are incurred that cover the overdraw. Training is ongoing.

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Audit Report: 2012 F

Finding Number: 026

Finding: The Department of Commerce does not have internal controls to ensure reports required by the Federal Funding Accountability and Transparency Act are filed for the Low-Income Home Energy Assistance Program.

Resolution: The Department concurs with this audit finding. The Department operated with the understanding that U.S. Department of Health and Human Services (HHS) did not require Low Income Home Energy Assistance Program (LIHEAP) to report under the Federal Funding Accountability and Transparency Act (FFATA). When the FFATA reporting requirements were first introduced in 2010, the Department performed a thorough review of all federally funded programs and identified the programs affected by the new requirements. At that time, the Department contacted HHS who provided written assurance that LIHEAP was not required to report under FFATA. On January 31, 2013, the Department received clarification from HHS that 2012 awards were included in this requirement.

The Department trained the appropriate LIHEAP staff on the FFATA requirements and the use of the FFATA Subaward Reporting System (FSRS) database to submit LIHEAP data. The Department finalized procedures to ensure FFATA data is entered into the FSRS database and that LIHEAP complies with reporting requirements. The FFATA reporting is now current.

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Finding Number: 027

Finding: The Department of Commerce, Community Services and Housing Division, did not comply with period of availability requirements for its Low-Income Home Energy Assistance program.

Resolution: The Department reviewed the federal criteria regarding period of availability with fiscal staff. The period of availability error occurred when adjusting entries were made at the end of the year. The Department conducted training to ensure staff understood to match the period of service to the award's period of availability when expenditures are made or are moved from one fiscal year to another. Supervisors review the work of staff, and management approves when adjustments are made.

The Contracts Management System (CMS) was enhanced to provide pop-up warning messages regarding dates as follows:

- When funding a contract if the coding element in the accounting system has a closing date that is older than the present date.
- When the service dates for an invoice are outside the contract dates.
- When the service end date for an invoice correction or recovery is greater than the coding element end date.
- When the document date on a journal voucher is greater than the coding element end date.

Questioned costs were corrected in the accounting system and returned to the granting agency.

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