

Status of Audit Resolution

December 2014

Department of Commerce (COM)

Agency: 103

Audit Report: 2013 F

Finding Number: 003

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

Resolution: The Department concurs with the finding. In response to a similar audit finding in the State of Washington Single Audit report issued in March 2012, the Department enhanced the functionality of the Contract Management System to provide a report of those entities expending \$500,000 or more in federal funds, the entity's fiscal year end date, and the due date of the federal audit.

During fiscal year 2013, the Department began a process of identifying and contacting grantees that did not meet the threshold for federal audit requirements. The Department will continue to enhance the process of identifying those recipients who received less than \$500,000 from the Department and may have received federal funding from other sources. This will ensure the Department identifies and obtains the required audit reports.

During fiscal year 2014, the Department convened a problem solving team to devise an effective procedure for querying contractors to determine the total federal expenditures. Procedures have been drafted and are in the process of being fully adopted. These procedures set forth the responsibilities of staff to ensure the Department has a copy of required audits on file and a tracking system to track who responds (and in what manner) to requests for missing audits. On a quarterly basis (six months after the end of each quarter), the Department analyzes the results using established targets. These results are reported at an agency quarterly target review.

Additionally, the Department will review existing policies and procedures to more clearly articulate the responsibilities of the internal auditor and program managers for these processes. The Department will communicate the results of the review through all levels of the Department. Corrective action will include reviewing current policies and procedures, establishing roles and responsibilities, and stating time frames.

Updates to policies and procedures will include production of a quarterly report for divisions to use to identify federal audit reports that are due. The reports will enable the Department to proactively remind entities of their audit report due dates. The policy will provide guidance when audit reports are delinquent. Training related to policy changes will be provided and attendance will be tracked to ensure impacted employees have received the training. Testing of the implementation will be conducted. The Department will obtain the missing audit reports identified in the finding.

The internal auditor will report to executive management quarterly on the progress to obtain missing federal audit reports, and provide data on audit reports currently received or due, training attendance, and improvements made to existing processes.

State of Washington

Status of Audit Resolution

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Department of Commerce (COM)

Agency: 103

Audit Report: 2013 F

Finding Number: 004

Finding: The Department of Commerce does not have sufficient internal controls to ensure HOME Investment Partnership program income is used before requesting federal cash draws.

Resolution: The Department concurs with the finding. The Department did not record program income in the Integrated Disbursement and Information System (IDIS) in 2013 because staff new to the program were unable to navigate IDIS and were unaware of the requirement to input program income information. The reconciliation did not identify the missing IDIS information; it only included the bank and account balances.

The process to reconcile the bank balance to IDIS was reviewed to strengthen the internal controls. The Department has refined its methodology for ensuring program income is spent before federal funds are drawn. The methodology addresses the use of program income for both project and administrative costs.

In addition, the HOME program has updated the procedures manual to:

- Reference the regulations related to HOME program income.
- Provide detailed navigation steps for IDIS.
- Assign specific staff responsibilities.
- Include instructions for establishing discrete accounting codes for federal and program income funds, to include separate codes for Department administration, grantee administration, and project expenses.

The accounting department has updated the procedures manual to:

- Reference the regulations for use of HOME program income.
- Outline the steps required before federal dollars are drawn, including requirements for entering the program income into IDIS prior to drawing funds.
- Assign specific staff responsibilities, including supervisory review.
- Identify the timing of notification to program management of program income balances.

Oversight of corrective action includes:

- A monthly report of program income balance, interest earned, and uses of the balances is provided to the program manager of the HOME program.
- A monthly review by the accounting supervisor of the reconciliation.
- Testing by the internal auditor of the corrective action implemented to ensure it effectively addresses federal draw requirements.

The Department determined the interest on the program income account was \$96. The Department will ensure the interest earned on the program income remains below \$100 in the future by maintaining a minimal balance in the program income bank account.

As of September 30, 2014, testing of the updated process was completed by the internal auditor.

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