

**State of Washington**  
**Status of Audit Resolution**  
**December 2018**

**Military Department**

**Agency 245**

<b>Audit Report</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2017 F	052	<p>Finding:</p> <p>The Washington Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.</p> <p>Corrective Action:</p> <p>The Department partially concurs with the finding.</p> <p>Although the Department has a decentralized system for subrecipient monitoring, the finance division maintains the Department's Audit Tracker system to monitor subrecipient audits across the Department and alert program managers of audit exceptions and non-compliance with federal requirements.</p> <p>The Disaster Grants-Public Assistance (DGPA) Program performs program monitoring activities. Upon receipt of an audit finding notification, the DGPA Program performs an extensive review of the finding and all subrecipients who received federal funding during the audit period to determine if any management decision letters are needed.</p> <p>However, due to extensive staff turnover in the finance division beginning in July 2016, the Audit Tracker system has not been monitored and updated. Department management was not made aware of the situation.</p> <p>As identified by the auditors, there were 163 subrecipients that received funding during fiscal years 2015 and 2016. During this period, there was a significant amount of activity due to five new disasters spanning from October 2015 to April 2017. Program monitoring continued during this time period. Despite not being formally documented in the Audit Tracker system, many elements of the monitoring process have in fact been accomplished and documented.</p> <p>The Department has initiated the following actions to address the internal control weaknesses identified in the audit:</p> <ul style="list-style-type: none"> <li>• Reviewed and updated the existing subrecipient monitoring policy to clearly outline roles and responsibilities for departments and grant programs.</li> <li>• Implemented a quarterly internal control audit process performed by the finance division to review and document subrecipient monitoring activities.</li> <li>• Ensured all subrecipients submit completed and signed audit certification forms as required by the Department's contracts office.</li> <li>• Reviewed current regulations related to federal grant administration to ensure compliance with federal requirements.</li> </ul> <p>As of May 2018, the Department:</p> <ul style="list-style-type: none"> <li>• Completed a review of all open subrecipient agreements and determined that there were no audit findings related to the DGPA Program and therefore, no management decisions were needed.</li> </ul>

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<b>Audit Report</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2017 F	052 (cont'd)	<ul style="list-style-type: none"><li>• Created a workgroup to review and address audit recommendations. The workgroup determined that the monitoring process may require possible modification.</li><li>• Assigned funding source managers to perform independent monitoring to ensure subrecipients are receiving required audits and management decision letters are issued as needed.</li></ul> <p>As of September 2018, the workgroup submitted a proposal recommending proper alignment of subrecipient monitoring responsibilities between department administration and the Emergency Management division.</p> <p>By November 2018, the Department will finalize changes to policies and procedures, which are expected to be fully implemented by March 2019.</p> <p>Completion Date:      Corrective action is expected to be complete by March 2019</p> <p>Agency Contact:      Rich Shimizu Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 <a href="mailto:Rich.shimizu@mil.wa.gov">Rich.shimizu@mil.wa.gov</a></p>