

Audit Report: 2010 F

Finding Number: 001

Finding: The State's internal controls are inadequate to ensure the Schedule of Expenditures of Federal Awards is accurately prepared, placing the state at risk of incomplete and inaccurate reporting to the federal government. This could affect the amount of federal funding the state receives in the future.

Resolution: The Office of Financial Management (OFM) concurs that internal controls related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA) need to be strengthened. OFM corrected the fiscal year 2010 SEFA prior to submitting it to the federal government, by the deadline of March 31, 2011, and releasing it to the public.

To address the weaknesses noted in the finding, OFM has taken or will take the following actions:

- Oversight and Reconciliation: OFM assigned staff to independently review preparation of the fiscal year 2011 SEFA and its reconciliation to the Agency Financial Reporting System, and to follow up on any questioned areas. The SEFA was analyzed for exceptions and deviations noted in the prior year to enhance accuracy and completeness. System integrity and reconciliation checklists were also reviewed.
- Systems: OFM modified various system table update processes. These changes strengthen controls over the tables, which determine important elements of SEFA reporting. OFM changed upload and input steps to strengthen controls over the system-derived Catalog of Federal Domestic Assistance numbers, titles, and clusters that are reported on the SEFA.
- Guidance: OFM focused on the reporting errors noted in this finding during the fiscal year-end training provided to state agencies in June 2011. Additionally, OFM included an article on proper SEFA reporting in its Connection newsletter and discussed SEFA reporting issues with specific agencies during year-end meetings.
- Process Improvement: Each year, OFM will analyze SEFA reporting issues that came up the previous year as well as changes in federal assistance programs and reporting requirements for opportunities to further strengthen controls over SEFA reporting.

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