

State of Washington
 Status of Audit Resolution
 December 2018

State of Washington

Audit Report	Finding Number	Finding and Corrective Action Status
2017 F	001	<p>Finding: The State should improve internal controls over specific areas of processing, recording, monitoring and reporting of financial activity included in the State's financial statements.</p> <p>Corrective Action: The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state's financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Response from each agency is listed below:</p> <p><i>Employment Security Department</i></p> <p>The Department partially agrees with the finding.</p> <p>In 2016, the Department established a Next Generation Tax System (NGTS) Interfaces and Data Quality Assurance project team comprised of representatives from the business and technology sectors to address concerns regarding the NGTS. The project team has been working on improving the system's internal controls related to processing transactions, reporting, and reconciliations between systems. In addition, the Department contracted with Microsoft to remediate technical issues with the NGTS system.</p> <p><u>System Processing</u></p> <p>The finding incorrectly states adjustments can be entered and processed in NGTS without review and approval of a second person. The Department did have a process in place at the time of audit; however, the process was not documented. Prior to the end of the audit, management had begun documenting the process of reviewing and approving adjustments.</p> <p>The auditors took exception that the Detailed Benefit Charges within NGTS do not consistently match the Summary of Benefit Charges. It is normal business practice to expect varying discrepancies between assessed and paid premium amounts, especially for large employers. When audit testing of a selected sample found a percentage of employer receivable balances at year-end varied from the employer paid amounts recorded in NGTS, it should not be construed as a misstatement on the financial statements.</p> <p><u>System Report Issues</u></p> <p>The Department agrees that some experienced-rated employers with delinquent accounts had at least one rate within the audit period that was incorrect resulting in an immaterial misstatement. However, the Department does not agree with the other system report issues as described in the condition of the finding.</p> <p>As stated in the prior audit finding responses, the Department does not rely on NGTS reports for financial reporting. The auditors have neither communicated to Department management what specific system reports they referred to, nor explained how they were used or their impact on</p>

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2017 F	001 (cont'd)	<p>OFM will continue to work with the Employment Security Department, Department of Licensing, Health Care Authority, and the State Board for Community and Technical Colleges to strengthen their internal controls over processing and reporting of financial activities.</p> <p>The conditions in this finding were previously reported in findings 2016-001 and 2015-002.</p> <p>Completion Date: Corrective action is expected to be complete by December 2018</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360) 725-0171 brian.tinney@ofm.wa.gov</p>