

**State of Washington - Office of Financial Management
 Status of Audit Resolution
 December 2020**

Department of Commerce

Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	010	<p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Department’s Crime Victims Assistance (CVA) program established procedures to expand fiscal monitoring over all reimbursements by requiring back up documentation for salaries and benefits, and subcontracted services. The documentation needs to:</p> <ul style="list-style-type: none"> • Clearly document exact costs, calculations, percentage charged to the grant, and allocation method for costs allocated across multiple fund sources. • Link actual expenditures to the amounts requested for the reimbursement. <p>In addition, CVA established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"> • Review of a sample of timesheets to verify and confirm salaries and benefits charged on previously submitted invoices are appropriately supported. • Review of subrecipient’s fiscal policies and procedures. • Documenting any other fiscal monitoring activities on the site visit report. <p>As of February 2020, CVA updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p> <p>Completion Date: February 2020, subject to audit follow-up</p> <p>Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p>

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Department of Commerce

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Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	011	<p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income Home Energy Assistance program received required audits and findings were followed up on timely.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As described in the finding, the Department has written policies and procedures for subrecipient monitoring including:</p> <ul style="list-style-type: none"> • Verifying whether the subrecipient requires a single audit. • Reviewing audit reports. • Following-up on subrecipient audit findings. • Ensuring management decisions are issued timely when required. <p>The Department’s Contract Management System (CMS) contains a field to indicate if a single audit is required for a subrecipient at the time a contract is entered into the system. Staff generate quarterly reports from CMS to identify subrecipients that:</p> <ul style="list-style-type: none"> • Have audit requirements to help ensure audit reports are submitted, and any audit findings are identified and captured in the system. • Do not have audit requirements have submitted verification forms. <p>Due to the timing of the report reviews, information is not always collected timely to enable follow-up with subrecipients within the required time frame.</p> <p>To improve internal controls over monitoring subrecipients’ audit requirements, the Department:</p> <ul style="list-style-type: none"> • Updated procedures to run the CMS report prior to the end of the nine month required time frame so reminders can be sent to subrecipients. • Worked with staff responsible for entering audits into CMS to ensure audit requirements are correctly indicated. • Strengthened process to ensure audit reports are properly reviewed to identify findings that require appropriate follow-up actions. • Improved communication to staff to ensure work processes follow established policies related to subrecipient audit monitoring. <p>The Department will follow up on the subrecipient audit finding identified during the audit and issue a management decision as required by federal regulations.</p> <p>Completion Date: August 2020, subject to audit follow-up</p>

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Agency 103

Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	011 (cont'd)	Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-2739 jean.denslow@commerce.wa.gov

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2019 F	033	<p>Finding:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Commerce did not have adequate internal controls over and did not comply with earmarking requirements for the Low Income Home Energy Assistance program.</p> <p>The Department concurs with the finding.</p> <p>Previously, the Department’s Low-Income Home Energy Assistance (LIHEAP) program tracked conservation education, other direct services, and direct services under one budget line item of “direct services.”</p> <p>In October 2018, LIHEAP made adjustments to program practices to track program expenditures by individual master index codes in the Department’s Contract Management System and statewide accounting system. As of February 2020, master index codes have been established for the following expenditure categories:</p> <ul style="list-style-type: none"> • Administrations • Conservation education • Direct services • Other direct services • Other emergency services • Contractor advances <p>The use of tracking expenditures using master index codes will provide adequate internal controls to meet federal earmarking requirements.</p> <p>February 2020, subject to audit follow-up</p> <p>Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p>

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2019 F	034	<p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>In response to prior year’s audit recommendations, the Low-Income Home Energy Assistance program (LIHEAP) had strengthened internal controls over monitoring activities of subrecipients to ensure program subawards are used for authorized purposes. The current monitoring process:</p> <ul style="list-style-type: none"> • Increased the threshold for onsite and desk monitoring review from one to three months of fiscal transactions. • Required general ledger and back up documentation to be submitted for each selected transaction to verify costs are allowable. <p>LIHEAP has established procedures to expand fiscal monitoring over reimbursements by requiring back up documentation for each request, which include a roll-up summary that:</p> <ul style="list-style-type: none"> • Documents the exact costs charged to the grant by specific codes in the accounting system assigned to the grant. • Links actual expenditures to the amounts requested for reimbursement. <p>LIHEAP has also established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"> • Review of a sample of timesheets to verify and confirm salary/benefits charged on previously submitted invoices are appropriately supported. • Review of subrecipient’s fiscal policies and procedures. • Documenting any other fiscal monitoring activities on the site visit report. <p>As of February 2020, LIHEAP updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p> <p>The conditions noted in this finding were previously reported in finding 2018-032.</p> <p>Completion Date: February 2020, subject to finding follow-up</p> <p>Agency Contact: Jean Denslow Managing Director, Accounting Services PO Box 42525 Olympia, WA 98504-42525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p>