

State of Washington
 Status of Audit Resolution
 December 2019

Department of Commerce

Agency 103

| Audit Report | Finding Number | Finding and Corrective Action Status |
|--------------|----------------|--|
| 2018 F | 032 | <p>Finding: The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>The Low-Income Home Energy Assistance program (LIHEAP) contracted with 26 subrecipients. These agencies are required to enter payment data for each client that receives a LIHEAP benefit into a centralized database. The Department uses this information to select transactions for onsite and desk monitoring.</p> <p>In response to the audit recommendations, the Department has strengthened internal controls over monitoring activities of subrecipients to ensure subawards from LIHEAP are used for authorized purposes. The following changes were incorporated in the current contract 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. • Requested general ledger and back up documentation for each selected transaction to verify allowability of costs. <p>As of January 2019, the program reviewed and formally updated the program monitoring plan to reflect the new process of subrecipient monitoring.</p> <p>As of June 2019, the program:</p> <ul style="list-style-type: none"> • Worked with the Department’s Energy Division, which also makes subawards of LIHEAP funds, to coordinate and increase efforts around fiscal and administrative monitoring. When opportunities exist, program staff will attend trainings hosted by the Energy Division on subrecipient monitoring. • Performed analytical reviews of each subrecipient’s spending trends over a five-year period to help identify the highest three months of spending. With the collaboration of the Information Services Division, program staff created a report that identifies the months that should be included for fiscal transaction reviews. Subrecipients are then required to submit backup documentation for each expense incurred for those months. <p>The Department also required subrecipients to submit back up documentation for invoices during the program year. This new requirement had been included in the special terms and conditions of the new contracts, which was effective October 1, 2019. Technical assistance and training on this requirement was provided to subrecipients during the Department’s conference in September 2019.</p> <p>By providing staff training, leveraging Department resources to increase monitoring and utilizing a data-driven approach to identify high-risk</p> |

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| 2018 F | 032 (cont'd) | <p>transactions, the Department will enhance the detection of unallowable or unsupported costs at the subrecipient level.</p> <p>Completion Date: October 2019, subject to audit follow-up</p> <p>Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO Box 42525 Olympia, WA 98504-2525 (360) 725-4030 Shanna-mae.cullen-oden@commerce.wa.gov</p> |