

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

Employment Security Department

Agency 540

Audit Report	Finding Number	Finding and Corrective Action Status
2019 F	012	<p data-bbox="483 424 581 453">Finding:</p> <p data-bbox="672 424 1414 548">The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure Workforce Innovation and Opportunity Act program funds were being used for allowable purposes.</p> <p data-bbox="483 583 602 642">Corrective Action:</p> <p data-bbox="672 583 1203 613">The Department does not concur with the finding.</p> <p data-bbox="672 653 1455 747">The Department maintains that current subrecipient monitoring process and procedures are adequate to meet all federal requirements and to ensure funds expended are on allowable services for eligible participants.</p> <p data-bbox="672 787 1463 1041">Federal regulations require grantees to perform subrecipient monitoring on an annual basis to ensure proper internal controls exist across pass-through entities, subrecipients and contractors expending federal funds. In accordance with this requirement, the Department established a mandatory annual onsite monitoring process for the Workforce Development Councils (WDCs). A risk-based assessment process is also in place to support the onsite reviews and continues throughout the monitoring process.</p> <p data-bbox="672 1081 1438 1140">The Department has the following established procedures in monitoring WDCs, which involve staff from multiple units:</p> <ul data-bbox="716 1157 1463 1990" style="list-style-type: none"> <li data-bbox="716 1157 1446 1272">• Funds management staff and fiscal staff conduct on-going review of supporting documentation for funding requests from WDC. These reviews form part of the initial risk assessment prior to the onsite reviews. <li data-bbox="716 1289 1455 1409">• Subrecipient monitoring staff performs analysis of each WDC's spending documentation to assess its capacity to handle funds and deliver services. This analysis often helps to shape the scope of each review. <li data-bbox="716 1425 1317 1455">• During onsite reviews, subrecipient monitoring staff: <ul data-bbox="753 1461 1463 1990" style="list-style-type: none"> <li data-bbox="753 1461 1455 1520">○ Review recent draw requests by WDCs and all supporting documentation for allowability, allocability and reasonableness. <li data-bbox="753 1526 1422 1612">○ Review internal control policies, processes and procedures. If control weaknesses are identified, WDCs are required to develop corrective action plans to address identified deficiencies. <li data-bbox="753 1619 1446 1680">○ Review supportive services provided to participants by WDCs or their subrecipient/service providers. <li data-bbox="753 1686 1446 1772">○ Review participant files to ensure that individuals receiving services are eligible and were reported correctly to the federal grantor. <li data-bbox="753 1778 1406 1864">○ Follow up on audit issues identified by independent annual audit of each WDC, which in most cases will include audit of the Workforce Innovation and Opportunity Act programs. <li data-bbox="753 1871 1446 1990">○ Review WDCs monitoring procedures of their subrecipients, including tools, working papers and documentation, to ensure adequate monitoring for the proper use and expenditures of grant funds.

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2019 F	012 (cont'd)	<ul style="list-style-type: none"> • If internal control deficiencies or questioned costs are identified during onsite reviews, monitoring staff will expand the scope of work, which may include reviewing: <ul style="list-style-type: none"> ○ Additional expenditures ○ Prior periods ○ Closed contracts • Subrecipient monitoring staff will provide continuous oversight and work with WDCs to ensure corrective action plans are fully implemented. <p>The Department will work with the federal grantor through the normal audit resolution process to determine if the finding was substantiated.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 bhainline@esd.wa.gov</p>

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2019 F	013	<p>Finding: The Department did not have adequate internal controls to ensure management decisions related to Workforce Innovation and Opportunity Act findings were issued in a timely manner.</p> <p>Corrective Action: The Department concurs with the finding. As of January 2020, the Department:</p> <ul style="list-style-type: none"> • Updated and implemented the <i>Workforce Innovation and Opportunity Act Audit Requirement, Reports and Resolution</i> policy to align with federal requirements. • Updated the internal process of documenting and communicating management decisions to subrecipients. <p>Completion Date: January 2020, subject to audit follow-up</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 9046 (360) 902-9276 BHainline@ESD.WA.Gov</p>