



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Washington Department of Commerce

For the period July 1, 2012 through June 30, 2013

Published March 23, 2015

Report No. 1013810





Washington State Auditor Troy Kelley

March 23, 2015

Mr. Brian Bonlender, Director
Washington State Department of Commerce

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Agency operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Agency's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary.....	4
Related Reports.....	5
Information About The Agency.....	6
About The State Auditor’s Office.....	8

AUDIT SUMMARY

Results in brief

In the areas we audited, Department's operations complied with applicable requirements and provided adequate safeguarding of public resources. The Department also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of Department of Commerce from July 1, 2012 through June 30, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Department's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following area was examined during this audit period:

- Travel expenses

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2013 can be found at: www.sao.wa.gov/generalinfo/Documents/2013_CAFR_Report_Final.pdf#search=CAFR

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Performance audits

Initiative 900, approved by voters in 2005, gives the State Auditor's Office the authority to conduct independent performance audits of state and local government entities. Performance audits may include objective analysis on ways to improve program performance and operations, reduce costs and identify best practices.

We issued the Performance Measures in Economic Development Program performance audit report in October 2014 that is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE AGENCY

The Washington State Department of Commerce’s mission is to invest in Washington’s communities, businesses and families to build a healthy and prosperous future. The Agency is based in Olympia, with satellite offices in Seattle and Spokane. The Agency administers a variety of programs providing direct and indirect funding, technical assistance, and planning and policy assistance to a variety of services to businesses, local governments and communities.

For the 2013-2015 biennium, the Agency’s total operating and capital budget is about \$2 billion with over 300 employees. The Agency’s budget is comprised of a variety of funding sources including state general funds, dedicated funds, federal resources, interagency agreements and capital funds. About 24 percent of the operating budget (6.2 percent of the combined budget) is General Fund – State.

The Agency is a medium-sized, cabinet-level agency, and has evolved through several reorganizations to be the state’s lead agency for enhancing and promoting sustainable communities and economic vitality in Washington. The Agency administers a diverse portfolio of more than 100 programs and supports several state boards and commissions.

The Agency went through a major reorganization in 2013 to provide a sharper focus on business development and job creation while improving organizational efficiency and service delivery.

- A new Office of Economic Development and Competitiveness, along with eight “sector leads”, provides direct access to industry sectors closely linked to Washington’s continued economic prosperity.
- A new Office of External Relations coordinates research, policy, strategic planning, and communications activities to ensure critical information reaches policymakers, stakeholders, and the public.
- The deputy director position was expanded to include chief operating officer, with oversight of administrative services, performance management, and agency-level project management.

Contact information related to this report

Address:	Department of Commerce 1011 Plum Street S.E. P.O. Box 42525 Olympia, WA 98504-2525
Contact:	Shanna-Mae Cullen-Oden, Internal Auditor
Telephone:	(360) 725-4000
Website:	www.commerce.wa.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Commerce at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov