



# Washington State Auditor's Office

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## Accountability Audit Report

# Washington Department of Ecology

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

Published May 11, 2015

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## Washington State Auditor

May 11, 2015

Ms. Maia D. Bellon, Director  
Washington State Department of Ecology

### **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 Department 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 Department'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,

A handwritten signature in black ink, reading "Jan M. Jutte". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR

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## AUDIT SUMMARY

### Results in brief

In most areas we audited, Department 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.

However, we identified areas in which the Department could make improvements.

We recommended that the Department improve internal controls over corporate travel cards to ensure compliance with state laws and regulations.

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to Department management in a letter dated April 27, 2015, related to meals and light refreshments. We appreciate the Department's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the State of Washington 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

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2013-001    The Department lacks adequate internal controls to safeguard and account for corporate travel card purchases.**

#### ***Background***

It is the responsibility of the Department to design and follow internal controls to ensure *Washington State Administrative and Accounting Manual* (SAAM) requirements are followed. These requirements are designed to help prevent fraud and misuse of state funds.

The Department has nearly 100 corporate travel cards. From July 2012 to June 2013, employees charged \$144,000 using corporate travel cards. The Department uses these cards to assist employees in paying for business related travel costs. Employees request reimbursement for authorized travel expenses and apply payments to the card balance.

#### ***Description of Condition***

Our audit identified weaknesses in controls related to the Department's corporate travel card program. We found the Department:

- Does not adequately monitor purchases to ensure they are for authorized purposes.
- Does not compare the cards issued to signed user agreements to ensure that each user has a current signed user agreement on file.
- Does not provide training to users issued corporate travel cards to ensure cards are used for authorized purposes.
- Lacks detailed written policies or procedures on the usage of corporate travel cards.

#### ***Cause of Condition***

Corporate travel card personnel at the Department were unaware of the requirement to provide training and oversight over the program. Staff believed that charges were the responsibility of individual users rather than the responsibility of the Department. Staff did not know that the SAAM manual requirements related to purchase cards also applied to corporate travel cards.

## ***Effect of Condition***

Because of these control weaknesses, the Department:

- Did not have current signed user agreements for nearly half of users tested.
- Allowed expenditure charges of nearly \$38,000 by employees when the cardholder was not in travel status.
- Allowed expenditures by employees for personal items, alcoholic beverages, and out-of-state travel. Our testing of 15 cardholders identified nearly \$1,500 related to these types of transactions.

## ***Recommendation***

We recommend the Department:

- Develop a program for monitoring corporate travel card purchases to ensure they are used for appropriate purchases.
- Ensure all users have a signed and current agreement on file.
- Provide training to staff assigned these cards to ensure they are only used for authorized purposes.
- Improve written policies and procedures on corporate travel card usage.

## ***Department's Response***

*The Department of Ecology acknowledges the audit finding and we have taken steps to improve our internal processes and procedures.*

*The Department has:*

- *implemented annual employee and manager travel card certifications*
- *developed and implemented a monitoring program for credit card purchases*
- *improved procedures on travel card usage*
- *developed procedures to notify senior management of cases of misuse*

### *Auditor's Remarks*

We appreciate the Department's commitment to resolving the issues noted. We will review the status during the next audit.

### *Applicable Laws and Regulations*

RCW 43.88.160 Fiscal management – Powers and duties of officers and agencies, states in part:

This section sets forth the major fiscal duties and responsibilities of officers and agencies of the executive branch. The regulations issued by the governor pursuant to this chapter shall provide for a comprehensive, orderly basis for fiscal management and control, including efficient accounting and reporting therefor, for the executive branch of the state government and may include, in addition, such requirements as will generally promote more efficient public management in the state . . .

(4)(a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

The Office of Financial Management's State Administrative and Accounting Manual (SAAM) provides guidelines for purchase card programs in Chapter 45.20. The section requires the following:

45.20.15.a The **agency program administrator** may order the purchase card(s) after completing all necessary implementation forms. Cards are issued to **cardholders** or **card custodians** after they have been provided with a copy of the agency policies and procedures for purchase cards, they have signed a **card user agreement form**, and they have received training on purchase card use. All cards should be delivered to the **agency program administrator** for distribution.

45.20.20 An agency should establish internal controls to address the use of the purchase card as a means of expending state funds. The following is the minimum level of controls acceptable:

- Maintaining a list of all **cardholders**, **card custodians**, and **designated card users** in the agency.
- Card users shall be given a copy of the agency purchase card policies and procedures, should sign a **card user agreement form**, and should complete training prior to a purchase card being issued and used.
- All cards should be ordered by and delivered to the **agency program administrator** for distribution to card users.

45.20.50 The **issuing bank** shall provide online purchase card transaction information, as well as a summarized monthly **card statement** for each card that displays detail transactions made during the current billing cycle. Responsibility for reconciliation of card statement rests with the cardholder or card custodian. The cardholder or card custodian should reconcile purchases made during the billing cycle by matching the bank statement or online purchase card transaction data to their **purchase card transaction log** and the documentation obtained from the merchant on purchases. The cardholder or card custodian should secure and retain documentation supporting purchases charged to the purchase card. The **approving official** should review, sign, and date the reconciliation within a specified period of time, as specified by the agency. Disputed transactions should be reported to the bank within 60 days of the statement cycle date in accordance with contract terms.

A pattern of missing documentation should result in the loss of purchase card privileges. Agencies are required to monitor and cancel the purchase card for card users who frequently do not provide appropriate purchase card supporting documentation.

In addition, the agency may wish to utilize the **issuing bank's** secure online reporting features to facilitate interim reviews and monitoring for unauthorized usage.



## 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](http://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](http://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.

## INFORMATION ABOUT THE DEPARTMENT

The Department of Ecology was established by the state Legislature to oversee Washington State's environmental stewardship activities. The Department's mission is to protect, preserve and enhance Washington's environment and promote the wise management of air, land and water for the benefit of current residents and future generations. To achieve its mission, Department activities are performed by ten environmental programs: (1) Spill Prevention, Preparedness and Response, (2) Water Resources, (3) Water Quality, (4) Shorelands and Environmental Assistance, (5) Waste 2 Resources, (6) Hazardous Waste and Toxics Reduction, (7) Environmental Assessment, (8) Nuclear Waste, (9) Toxics Cleanup and (10) Air Quality.

The Department's operating budget for the 2013-2015 Biennium is \$458.1 million, with a \$1.0 billion capital biennial budget. The Department receives approximately 70 percent of its funding by means of dedicated funds from licenses, permits, fees, penalties, taxes and other miscellaneous revenue. The remaining 30 percent of its funding is from federal funds and the state general fund. The Department headquarters is located in Lacey and is supported by four regional offices and six field offices and staffed with approximately 1,570 employees. The Governor appoints the Department's Director.

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*Information current as of report publish date.*

## Audit history

You can find current and past audit reports for the State of Washington 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.

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