



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Office of Minority and Women's Business Enterprises

For the period July 1, 2019 through June 30, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

July 18, 2024

Lekha Fernandes, Director
Office of Minority and Women's Business Enterprises
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is our independent audit report on the Agency's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Office operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

However, we noted certain matters related to purchase and travel cards that we communicated to Office management and the Director in a letter dated July 15, 2024. We appreciate the Office's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Office of Minority and Women's Business Enterprises from July 1, 2019 through June 30, 2023.

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.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Office's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2023, 2022, 2021 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Use of purchase and travel cards
- State certification process



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Office of Minority and Women's Business Enterprises

July 1, 2019 through June 30, 2023

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1 st , 2014 – June 30, 2019	Report Ref. No.: 1026533	Finding Ref. No.: 2019-001
Finding Caption: <p>The Office of Minority and Women's Business Enterprises did not have adequate internal controls over and did not comply with state and office policies related to travel and purchase cards.</p>		
Background: <p>In the state fiscal year 2019, the Office spend \$35,289 on their four different credit cards:</p> <p>Travel cards</p> <ul style="list-style-type: none"> • Card 1 – assigned to the former Director • Card 2 – assigned to the current Director • Card 3 – assigned to the Office card custodian <p>Purchase card</p> <ul style="list-style-type: none"> • Card 4 – assigned to the Office card custodian <p>We found that credit card user agreement forms were not completed by the card custodian or Director before credit cards were used. Employees did not use a credit card log when the office travel card and office purchase card changed ownership throughout the year. The employee did not use a credit card reconciliation before completing the A-45 form.</p>		
Status of Corrective Action: (check one) <div> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid </div>		

Corrective Action Taken:

- *Credit Card User Agreements have been created and signed for all approved staff members.*
- *Training has been provided on the use and monthly reconciliation of the Single agency Purchase Credit Card (P-Card) and Travel Credit Card (T-Card)*
- *Draft Policy writing is underway*
- *A process and a digital application have been developed for requesting approvals prior to making any purchase or reservations with the cards.*

Credit Card Reconciliation is reviewed and approved by the Director of Operations prior to sending to DES SAFS for additional review and processing.

INFORMATION ABOUT THE OFFICE

The Legislature established the Office of Minority and Women's Business Enterprises in 1983. The purpose of the Office is to be a vital and trusted resource for businesses owned by minorities, women, and other under-represented communities to gain access, visibility, and contracting opportunities in procurement. We work to promote equity in how Washington State spends its resources in the private sector by eliminating barriers to equitable participation in public spending and contracting. The mission of the Office is to create and implement programs that provide maximum opportunity for participation of businesses owned by minorities, women, and other under-represented communities in public contracting.

For the period of July 1, 2019, through June 30, 2023, the Office nearly doubled in size from approximately 26 employees in 2019 to 44 at present time. This growth was due to additional certification needs, business development supports, and supplier diversity programs authorized through the Legislature or Governor's Executive Order, the current operating budget is approximately \$18 million per biennium.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Office of Minority and Women's Business Enterprises at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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