

## Office of the Governor

### ***General***

***Code:*** S1Governor-AC23  
***Name:*** Office of the Governor  
***Group:*** Financial Audit  
***Type:*** S1-Agency, Commission, or Board  
***Location:*** State  
***Scope:*** Not Applicable

### ***Team***

***Lead:*** Michelle Fields  
***Manager:*** Steven Wendling

## Procedures

### D.3.PRG - Purchase Cards

***Procedure Step:*** Controls over Purchase Cards  
***Prepared By:*** MRF, 8/29/2023  
***Reviewed By:*** SHW, 9/7/2023

Purpose/Conclusion.*
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### **Purpose:**

To determine whether controls over credit/purchase card usage are adequate.

### **Conclusion:**

We determined controls over purchase card use within the Office of the Governor (GOV) is **not** adequate to appropriately document and approve transactions. **See issue [ISS.2].**

We noted the following related to the Purchase Card policy within GOV:

- The Office of the Governor purchase card policy is out of date and does not reflect current information, policies, and procedures. This resulted in multiple exceptions in our testing at [D.3.2].
- The Office of the Governor policy states "The Executive Assistant to the Chief of Staff and Deputy Chief of Staff is the purchasing card custodian who will be responsible for..." when in actuality, some departments have their own cards.
- Per SAAM; minimum documentation for payment should include approval for the purchase and approval for the payment. Currently, the policy is not clear, and much of this approval is verbal and undocumented.
- We noted a discrepancy in the card limits. We noted multiple transactions in the purchase cards that are over the Office of the Governor limit, but under the OFM limit, likely due to miscommunication about policy.
- We noted the GOV policy and their training did not include any limitations or additional controls relating to gift card use, and they were not required to seek approval from OFM for the purchase of gift cards.
- We noted PayPal expenditures do not require any additional controls. Since there are no additional controls surrounding the use of PayPal, it is possible that documentation will be inadequate to support the allowability of the transaction. Additional controls could include: Requiring itemized receipts for PayPal transactions detailing who, when, why, and an invoice with services (such as standard speaking fee). Or skipping PayPal and instead having speakers register as a vendor with the state of Washington, and have an invoice billed to accounts payable.

Testing Strategy:

To determine whether controls over credit/purchase cards are adequate, **consider** the following procedures:

Obtain and review the policy. A policy is required by state law for local governments and state entities. See criteria tab for further details. Auditors have the option to read the policy for general understanding or test to make sure all legally required elements are included.

***For Local Governments:*** Under RCW 43.09.2855, the policy must be established and must provide for the following:

- *The distribution of the credit cards*
- *The authorization and control of the use of credit card funds*

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- *The credit limits available on the credit cards*
- *Payment of bills*
- *Any other rule necessary to implement or administer the system under this statute (such as procedures for recovering disallowed charges)*

***For State Agencies:*** Agencies must follow the DES policies and procedures on the use of purchase cards. Agencies may only use credit and/or debit cards issued through the state charge card system and the fuel card program authorized by the Department of Enterprise Services (DES), unless there is specific authority which authorized an agency to independently contract for purchase card services. No type of [credit card](#) and/or [debit card](#) (including specific gas station credit cards) other than the state charge card system and the fuel card program authorized by the Department of Enterprise Services (DES) may be used by agencies for state travel or fuel. (SAAM 40.30.40-.60 and 10.10.45)

Gain an understanding of the entity's process for ensuring adequate control (some of this information can be learned from reading the policy). In gaining an understanding, the auditor may consider the following questions:

- Who is responsible for authorizing and distributing cards (per policy and in practice)? Does policy require a signed cardholder agreement? Is training provided to new cardholders and their supervisors?
- Does the entity use a credit card program with control features such as the ability to block cash advances, block high-risk merchant categories, and impose daily transaction limits? Do they actively take advantage of these features to limit risk?
- Does the entity rely solely on departments or do they also have centralized monitoring to oversee the program?
- What kinds of expenditures are credit cards authorized for and what expenses are prohibited? (Some expenses such as cash advances and personal expenses are prohibited by state law, but entities often exclude these and others per policy).
- What is their process for establishing and reviewing credit limits to ensure they are appropriate? Do they ever re-evaluate against actual expenses? Do they inventory cards to ensure that cards not being used are cancelled?
- Are cards assigned to individuals or are the cards ever shared? Are shared cards properly secured at all times and is accountability maintained so that all transactions can be tied to a specific purchasing individual?
- If the cards are used for travel, how does the entity ensure that employees are not also reimbursed for transactions that were charged on the credit card?
- If items are procured that are subject to bid laws, how does the entity ensure compliance with state bidding laws?
- If small and attractive assets are procured, what is their process for adding to inventory lists?
- Are credit card statements received directly by an independent person for review? (entities might also use online monitoring to review complete activity)
- What is their process for addressing missing documentation or receipts?
- What is the approval process for credit card activity? Is it done by persons in a position to question transactions? Is it the same for upper level managers as for line staff?

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- What is the process for paying the credit card invoice (are payments made by individual card, by department, or entity-wide each month; is a revolving or petty cash fund used to make credit card payments)?
- Has the entity had any problems with excessive costs, personal charges, or unallowable use of cards? What were the problems and how were these dealt with?
- Has the entity had any other concerns or problems in the past with credit cards? How does the entity monitor for non-compliance with their policy and how do they actively enforce it?

*Control objectives for credit cards are as follows:*

- *Entity policy is followed*
- *Only allowable charges are made*
- *Goods or services are actually received prior to payment being made*
- *Purchases are supported by adequate documentation*
- *Purchases do not violate bid laws*
- *Inventory or assets purchased by card are added to asset lists, as appropriate.*
- *Expenditures are correctly accounted for*
- *Accountability for all purchases is maintained (entity can identify the purchaser)*
- *Cards and numbers are adequately safeguarded to prevent unauthorized use*
- *All unauthorized or unallowable purchases are paid by the purchaser*

Guidance/Criteria.\*

### **LOCAL GOVT AUDIT CRITERIA**

Key criteria that auditors will likely use when testing this area at local governments.

**RCW [43.09.2855](#) Local Governments-Use of Credit Cards** - describes requirements for local government use of credit cards

**RCW [42.24.115](#) Municipal corporations and political subdivisions—Charge cards for officers' and employees' travel expenses** - describes requirements for local government use of credit cards for travel expenses

### **STATE AGENCY AUDIT CRITERIA**

Key criteria that auditors will likely use when testing this area at state agencies.

**RCW [39.26.090](#) Director's Duties and Responsibilities-Rules** - RCW 39.26.090(2) gives the Director of the Department of General

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Administration rule making authority for use of credit cards for State Agencies, for details see the GA's published [Washington Purchasing Manual](#).

**SAAM [10.10.45](#) Use of State Charge Card System, when required, to Purchase Travel** - describes the use of charge cards for travel related expenses, minimum requirements for agency purchase card programs are covered in DES policy, agencies with central travel accounts and/or One Card programs should establish appropriate policies and controls

**SAAM [40.30.40.a](#) Purchase Cards-Requirements** - describes minimum agency controls

### Record of Work Done.

We met with Abby Chavez (Financial Services Supervisor through OFM) and Megan Finger (Purchase Card Administrator since May of 2023) on 07/27/2023 to gain an understanding of the internal controls over purchase card use within the Office of the Governor and their sub-agencies. Before becoming the Supervisor, Abby worked as the Purchase Card Administrator, then moved positions and Megan was hired to fill the role. Before coming to OFM, Megan work at DES and dealt with Purchase Card transactions.

We also met with Jennifer Garner and Kelly Wicker on 08/09/2023 to gain further understating of purchase cards, such as, who are the card custodians and where the cards are stored.

We also met with the Office of Equity on 08/15/2023 and the Women's Commission on 08/04/2023 to fill in additional details about their agencies card use.

### **General Controls:**

Each sub agency has their own purchase card custodian who is responsible for their cards storage and use. The cards are stored with limited access, either in the card custodian's possession or in a locked drawer. The custodians must complete training, and sign a user card agreement to ensure card custodians are aware of purchase card requirements, prior to being authorized to use the card (**Key Control #1**). All cards are department cards and have their own logs each time the card is used. Pre-approval is needed for purchases from the department heads, however, this is often verbal and may not be documented which does not meet SAAM 85.32.30.a requirements. **See issue here [\[ISS.2\]](#)**. Card custodians approve the transaction after reviewing the invoice/receipt for the purchase to ensure it was allowable and correctly billed before scanning the support into a PDF and sending it to accounts payable at OFM.

The card custodian for the executive operations purchase and travel cards is Jennifer Garner, Assistant to the Deputy Chief of Staff. The card is physically stored in the office with the secretary Jill, in a binder in a locked drawer. The binder also contains the department check out log for when the card is loaned to other individuals for use. The log notes who used the card, for how much, when, and when the card was returned.

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### **OFM Reconciliations:**

Every month, the statement for each of the purchase cards becomes available. Megan pulls the statements and then emails the designated card custodian to notify them the reconciliation is due. The card custodian then emails back (to either Megan or the communal accounts payable inbox) all required supporting documentation to evidence the validity of each transaction. There is documentation to show the purchase was delivered or service received, such as a packing slip or invoice.

The OFM purchase card administrator goes through each card's statement and supporting documentation to ensure the invoices are included and complete, that the dollar amounts match from invoice to statement, that the transactions had approval, and the card custodian is up to date on their training (**Key Control #2**). If the card reconciliation matches, the administrator codes it into the expenditure Toolbox same as a general disbursement, and sends it to a batch. Each batch is additionally reviewed by the Financial Services Manager before being approved for payment through AFRS. The entire process from monthly statement to payment can take several weeks.

### **Limits:**

Per Office of the Governor Policy, there is a transaction limit of \$3,300.

Per OFM policy for OFM employees using OFM issued cards, the card limit is \$5,000.

### **Travel Cards:**

Some divisions have their own travel card for business travel purchases. If the division has a travel card, then all travel expenses should be added to this card and not the general purchase card. Some sub agencies do not have travel cards, and their business travel purchases are allowable on the general purchase card. Purchases are reconciled the same and per SAAM in either case.

The executive operations travel card (main card) is under the care of Jennifer and Jill. This card does not have a checkout log as many just use the card number without having access to the physical card itself. This card is available for use with approval for the sub agencies that do not have their own travel cards.

### **Gift Cards:**

Per SAAM, "Gift cards may be used by agencies as a convenient means for incentives. An agency may also use gift cards for administering special programs as long as there are no fees attached or the fees are one-time and nominal. The agency must ensure adequate internal controls are in place to safeguard the assets." See 20.15.40 Internal control components and principles.

The code in the purchase cards that allows for a gift card purchase is generally locked. If an employee needs to purchase a gift card, they must contact the purchase card administrator or financial services team member from OFM and provide documentation for the need of a gift card purchase. They also must provide the amount, and the vendor. OFM will unlock the code on the card for 24 hours allowing the card custodian to make the purchase before the card is locked again.

We met with Jennifer Garner and Kelly Wicker to gain an understanding of controls within Office of the Governor. They explained that their policy

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and their training did not include any limitations or additional controls relating to gift card use, and they were not required to seek approval from OFM for the purchase of gift cards. Gift cards are generally only purchased for public service recognition week, or when employees are leaving service.

### **Paypal:**

Paypal expenditures do not have additional control requirements.

As of June 2021, it is recommended that agencies NOT use paypal for payments as it adds additional risk to state funds per OFM. See OFM guidelines here: [Use of Online Pmt Services PayPal GoogleCheckout 06-2021.pdf \(wa.gov\)](#)

Since there are no additional controls surrounding the use of PayPal, it is possible that documentation will be inadequate to support the allowability of the transaction. **See issue here [ISS.2].**

### **Payment:**

Per SAAM; documentation for payment should include approval for payment. The current policy does not require documentation of approval before the payment, as it is sometimes verbal. **See issue here [ISS.2].**

The US Bank Purchasing Card Program is a vendor in AFRS and the monthly payments are made like a general disbursement to the vendor. The batch payments are released in AFRS by OFM after review, and the funds move by an electronic fund transfer to US Bank. It is up to US Bank to apply the payment to the card balances, and this sometimes takes several weeks. The Financial Services Manager double checks to ensure the payments posted correctly and there is not an overdue balance on any of the cards.

### **Confirmation of Key Controls:**

**Key Control #1: Each department has their own card custodian who is responsible for the storage, use, and reconciliation of the card. The custodians must complete training, and sign a user card agreement prior to being authorized to use the card.**

We reviewed the card user agreement for Jennifer Garner for the Executive Operations Division. The card user agreement listed the employee and their division approver (Kelly Wicker). We noted the monthly credit limit was \$10,000 and the single purchase limit was \$5,000 which was also incorrectly listed as the standard. *(See issue 2 above for card limit issue)*. The card user agreement was signed by Kelly Wicker and Jennifer Garner on 11/11/2022. The card user agreement also listed the required training the card user must undergo, WA- State Small Purchases and State Purchasing and Procurement Ethics, with check marks in both. The second page summarized the card use policy and had links to the relevant source policies such as DES Use of Credit Cards, and SAAM 85.32.30a payment processing. **No issues noted.**

**Key Control #2: The OFM purchase card administrator goes through each card's statement and supporting documentation to ensure the invoices are included and complete, that the dollar amounts match from invoice to statement, that the transactions had approval, and the card custodian is up to date on their training.**

We reviewed a transaction for \$2,000 to KD Hall Communications LLC. We noted there was a detailed invoice for the services billed from intuit quickbooks that listed the invoice no. 1137 and the total of \$2,000 paid by credit card on 02/07/2023. There was a note on the Women's

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Commission reconciliation that this was for the WSWC filming costs as Co-sponsors of a Docuseries. The reconciliation included a signature from Kelly Wicker, Deputy Chief of Staff as authorization. The US Bank statement listed the purchase as the same dollar amount and was also signed by Kelly Wicker as approval for payment. **No issues noted.**

### D.3.PRG - Purchase Cards

*Procedure Step:* Testing of Purchase Cards

*Prepared By:* MRF, 9/6/2023

*Reviewed By:* DRR, 10/3/2023

Purpose/Conclusion.:

#### **Purpose:**

To determine if selected purchase card transactions were allowable per policy, were properly authorized, and had appropriate documentation.

#### **Conclusion:**

We determined that purchase card transactions were not allowable, authorized, or supported by adequate documentation.

In total, of the 27 transactions tested 19 had at least one issue. Of the \$38,000 testing, \$13,000 was unsupported. **See issue here [ISS.2].**

Testing Strategy.:

#### **Analytical Procedures**

The following are analytical procedures to **consider**:

- Compare or trend activity levels by card, month and/or user
- Check for missing statements
- Check for unreported cards by reconciling credit card payments per statements to payments made per the AP system
- Scan statements for risk indicators or policy violations, such as:
  - Purchases of a type or amount that is prohibited by policy; splitting purchases to circumvent transaction limits is a fairly common problem in credit card programs
  - Purchases with high dollar amounts or that exceed bid thresholds



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- Purchases for meals or travel-related purposes, especially when the entity also utilizes travel cards or travel reimbursements/travel advances. The risk is that employee is reimbursed for payments already charged to the card
- Purchases normally handled through the P.O. process, especially for small and attractive assets, and/or where the same item was purchased in other months. The risk is that approval or asset tracking controls are circumvented or misappropriation is occurring
- Cash advances (prohibited by state law)
- Purchases that have the potential to be for a personal purpose (ie: consumer goods, personal services, local restaurants, etc)
- Purchases made during non-working hours or days
- Purchases of fuel
- Additional considerations for fuel cards include:
  - If the entity utilizes mileages logs, verify accuracy of mileage log entries by comparing vehicle's odometer to the latest mileage log entry. Another option is to inquire how the entity checks it, such as reviewing maintenance records that show the odometer when the vehicle was last serviced.
  - Compare the number of gallons purchased to the vehicle's tank capacity for variances (purchases should not exceed capacity)
    - Compare the type of fuel purchased to that used by the vehicle (i.e. gas purchased when the vehicle uses diesel)
  - Compare entity-calculated mpg to national averages (<http://www.fueleconomy.gov/feg/advancedSearch.htm> contains a searchable listing of vehicle's average mpg as posted by the US Department of Energy, Energy Efficiency, and Renewable Energy). Consider significant variances for additional review
  - Compare fill up times to timesheets or work schedules for instances of charges made during non-working hours or days
  - Scan fuel purchases for multiple purchases made in a single day. Compare the frequency and volume to vehicle mileage information
- Review to ensure statements were reviewed and approved by user prior to payment

### Testing Selected Charges

**Consider** testing selected charges for the following attributes (modify the test attributes based on identified risks):

- Charge is supported by adequate documentation to evidence validity of transaction
- Charge is approved in accordance with entity policy
- Charge is allowable under state law and entity policy (state law prohibits cash advances or personal use - even if later reimbursed).
  - If travel related, ensure the charge was not also reimbursed directly to the employee (compare the employee's charge card billings to travel reimbursement vouchers to ensure double billings are not present)

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- For travel, ensure that within 30 days of the charge card billing date, the employee submitted a fully itemized travel expense voucher
- Expenditures appear to be charged to the correct fund, account and fiscal year
- If the purchase is over bid thresholds, that the purchase was appropriately bid
- If the purchase is for items that should be included in an inventory or asset listing (including small and attractive), that the items were appropriately added to the entity's records. Consider tracing the item to ensure it is on site and for the government's use.

Other testing options might include:

- Review for altered credit card statements. Compare statements received directly by finance to what was submitted by the cardholder (in many frauds there are pages missing or alternations)
- Ensure all cardholders have a signed agreement on file, if required by policy
- Review for the splitting of transactions to bypass transactional limits pre-established on the card
- Review for credit limits that seem unreasonably high given level of actual activity
- Review for cards with no actual activity and inquire the reasons these are not cancelled
- Review for cards of terminated employees to determine if any charges were incurred past the employee's termination date, whether these charges are valid, and if the card was cancelled timely
- Review for transactions (such as for travel) that the employee might have charged to the credit card and also sought personal reimbursement

An optional template is available from the SAOStore for documenting credit/purchase card and purchase account transaction testing. Auditors should modify the testing criteria based on any risks they identified.

Auditors should consider sharing SAO's credit card best practices with entities that might benefit from them. They are located in the [resource database](#).

Guidance/Criteria.*
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### **LOCAL GOVT AUDIT CRITERIA**

Key criteria that auditors will likely use when testing this area at local governments.

#### **BARS [3.8.4](#) Purchase Cards**

**RCW [43.09.2855](#) Local Governments-Use of Credit Cards** - describes requirements for local government use of credit cards

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**RCW [42.24.115](#) Municipal corporations and political subdivisions—Charge cards for officers' and employees' travel expenses** - describes requirements for local government use of credit cards for travel expenses

### **STATE AGENCY AUDIT CRITERIA**

Key criteria that auditors will likely use when testing this area at state agencies.

**RCW [39.26.090](#) Director's Duties and Responsibilities-Rules** - RCW 39.26.090(2) gives the Director of the Department of General Administration rule making authority for use of credit cards for State Agencies, for details see the GA's published [Washington Purchasing Manual](#).

**SAAM [10.10.45](#) Use of State Charge Card System, when required, to Purchase Travel** - describes the use of charge cards for travel related expenses, minimum requirements for agency purchase card programs are covered in DES policy, agencies with central travel accounts and/or One Card programs should establish appropriate policies and controls

**SAAM [40.30.40.a](#) Purchase Cards-Requirements** - describes minimum agency controls

Record of Work Done:

**Testing Selection:** We will select 25 transactions from the entire audit period for testing. As part of our planning procedures we performed purchase card analytical here [\[B.1.14\]](#). We determined there were new cards from new agencies that would be high risk and selected for testing. We selected new cards or cards from new agencies, along with cards that had high amounts of transactions. We then judementally selected transactions that looked high risk based on vendors or dollar amounts from across the audit period. While reviewing transactions for selection, it was determined there was a high volume of high risk transactions. We increased our testing selection to 30 and requested support. See testing selection here [\[D.3.1\]](#).

Once we had requested support, Abby Chavez contacted us to notify SAO that OFM considers the Office of Independent Investigations to be its own agency. SAO made the determination to exclude OII from the scope of this audit, and audit it seperatly in the future. This has been updated in the change in audit plan here [\[E.1.PRG\]](#). As a result, the three purchase card transactions from OII will be excluded, and the final testing amount is 27 transactions which still meets our audit plan of 25 minimum.

### **Testing Attributes:**

We tested the 27 selected transactions for the following attributes as is documented in testing here [\[D.3.2\]](#).

**A** - Charge is supported by adequate documentation to evidence validity of transaction

**B** - Charge is approved in accordance with SAAM and entity policy

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- C** - Charge is below the purchase limit
- D** - Expenditure appears to be charged to the correct fund, account and fiscal year
- E** - If over bid thresholds: purchase was appropriately bid
- F** - If purchase should be included on asset listings: the item was appropriately added

### **Testing Results:**

In the beginning of the audit we had identified an issue with the annual risk assessment not being performed by management. As a result, policies are not updated to address known or new risks. While reviewing the policy for Purchase Cards, we noted many smaller possible issues stemming from an outdated, unclear, and sparse policy. See issue here [ISS.2]. These issues were confirmed in testing.

Due to the outdated policy, we instead used the source for purchase card policy to audit to:

SAAM 85.32.30 "Payment processing documents"

DES-F0-03-01 "Commercial Card Policy"

### **Initial testing results:**

Of the 27 transactions tested, 24 contained at least one exception. 19 of these all had the same exception of undocumented approval for the purchase/payment which is related to the unclear policy.

Two transactions were over the GOV card limit (\$3,300), one was over the limit AND a split transaction. It was accompanied by an email by the card user stating the purchase would not go through, so they were going to split it over two days.

There were seven gift card transactions. Of the seven, we did not see any additional controls in place surrounding their approval. Many of these gift card purchases were part of a much larger batch that was not tested. For example, transaction 12 was a gift card purchase from Amazon for \$25, but there were 16 gift card purchases from Amazon from 03/30/21 to 4/7/21, each purchased on the same card for \$25 each.

There were seven PayPal transactions. The policy does not outline any additional controls surrounding PayPal (which is high inherent risk). As a result, three of the PayPal transactions had inadequate documentation to show what was purchased and that it was allowable. PayPal transactions should be accompanied by clear written approval, and a detailed invoice.

One PayPal transaction was a donation to the WOW art exhibition in Seattle. Per the states constitution, gifts of public money are not allowed to private sources unless it benefits the public (like housing vouchers).

One purchase by executive operations was for airline costs. Since the executive team has their own travel card, the purchase should not have been included on the regular purchase card. However, this was later caught and corrected.

Of the \$38,000 tested, \$25,000 (or 66%) is inadequately supported as of the initial testing.

We requested any additional support by end of day September 5th. When we brought these issues to the attention of Kelly Wicker, Deputy Chief of Staff, Card approver, and audit liaison, she was surprised to learn the subagencies did not have their own policies, approval authority matrix, or documentation standards. This comes back to the annual risk assessment not being performed, and management being unaware of risks.

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### Final testing results:

Some additional support was provided for a few of the transactions, mostly in the form of emailed approval. After a second round of review, there were still 19 transactions that had an issue. 15 of these were still the same issue of unsupported authorization for purchase/payment. **See issue in conclusion above.**

We determined that expanded testing will not provide new information as it has been determined that employees have been following an outdated and insufficient policy.

When these issues were brought to the attention of Kelly Wicker, Audit Liaison/Deputy Chief of Staff it was agreed that the purchase card policy needed to be updated to reflect current operating procedures and documentation standards.

## Issues

ISS.1 - E: Annual Risk Assessment		
<i>Prepared By:</i>	MRF, 7/12/2023	<i>Issue</i>  The Office has not completed an annual risk assessment as required by SAAM 20.15.30a. At a minimum, agencies are required to document risk assessment and internal control monitoring activities for objectives related to financial reporting and federal program compliance.  We recommend the Office follow the requirements outlined in SAAM and complete an annual risk assessment.
<i>Reviewed By:</i>	SLB, 10/23/2023	
<i>Type:</i>	Accountability	
<i>Category:</i>	Accounting/Financial Reporting	
<i>Reporting Level(s):</i>	Exit Item	
<i>Impact</i>		
<i>Cost Savings:</i>		
<i>Questioned Costs:</i>	\$0.00	
NOTES		
We communicated this issue to Jamie Langford on July 12th, 2023, during the risk assessment inquiry discussion.		

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See LOR here [AS2.a].

### ISS.2 - V: Purchase Cards (Included in the ML at Issue 4)

**Prepared By:** DRR, 10/5/2023  
**Reviewed By:** SLB, 10/23/2023  
**Type:** Verbal Recommendation  
**Category:** Purchase Cards/Procurement Cards  
**Reporting Level(s):**

**Impact**

**Cost Savings:**

**Questioned Costs:** \$0.00

**Issue**

We found management did not effectively monitor and document purchase card transactions to ensure they were properly authorized, under the purchase limit, and consistent with the Office's statutory authority.

We judgmentally selected 27 transactions, totaling \$38,241, and found:

- A \$500 donation to an art exhibition without documentation supporting how the expenditure was consistent with the statutory authority of the Women's Commission.
- Fifteen transactions lacked documented purchase approval for making the payment.
- Three transactions were either over the purchase limit or split to bypass the purchase limit.

We recommend the Office:

- Update its purchase card policy to ensure employees are aware of purchasing limits, written authorization and approval requirements, and State Administrative and Accounting Manual (SAAM) requirements
- Monitor purchase card transactions monthly to ensure employees follow its purchase card policy and SAAM requirements
- Maintain sufficient documentation for purchases to show they are consistent with its statutory authority

### NOTES

We communicated this issue to Jamie Langford and Kelly Wicker in the weekly check in meeting on August 25th, 2023.

**This issue is included in the management letter at Iss.4.**

See LOR here [AS2.a].

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### ISS.3 - E: Segregation of Duties

<i>Prepared By:</i>	DRR, 10/3/2023	<b>Issue</b>  There was not adequate segregation of duties in completing and approving Meeting and Refreshment Expense Authorization forms. We noted one instance where this form was requested and approved by the same individual for the Equity Summit.  We recommend the Office segregate duties to reduce the risk of unauthorized transactions.
<i>Reviewed By:</i>	SLB, 10/23/2023	
<i>Type:</i>	Accountability	
<i>Category:</i>	Accounting/Financial Reporting	
<i>Reporting Level(s):</i>	Exit Item	
<i>Impact</i>		
<i>Cost Savings:</i>		
<i>Questioned Costs:</i>		

### NOTES

We communicated this issue to Jamie Langford, Chief Financial Officer and Kelly Wicker, Deputy Chief of Staff on August 25, 2023

See LOR: [\[AS2.a\]](#)

### ISS.4 - ML: Purchase Cards and Bank Accounts

<i>Prepared By:</i>	MRF, 9/7/2023	<b>Issue</b>  October 27, 2023  Kelly Wicker, Deputy Chief of Staff Office of the Governor Olympia, Washington
<i>Reviewed By:</i>	SLB, 10/23/2023	
<i>Type:</i>	Accountability	
<i>Category:</i>	Cash Receipting	

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<p><b>Reporting Level(s):</b> Management Letter</p> <p><b>Impact</b></p> <p><b>Cost Savings:</b></p> <p><b>Questioned Costs:</b> \$0.00</p>	<p><u>Management Letter</u></p> <p>-</p> <p>This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the Office of the Governor from July 1, 2019, through June 30, 2023. We believe our recommendations will assist you in improving the Agency's internal controls in these areas.</p> <p>We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Agency officials and personnel. If you have any further questions, please contact me at (564) 999-0887.</p> <p>This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited. We would also like to take this opportunity to extend our appreciation to your staff for their cooperation and assistance during the audit.</p> <p>Sincerely,</p> <p>Scott Bills, Audit Manager</p> <p>Attachment</p> <p>-</p> <p><u>Management Letter</u> Office of the Governor July 1, 2019, through June 30, 2023</p> <p><b>Purchase Cards</b></p> <p>We found management did not effectively monitor and document purchase card transactions to ensure they were properly authorized, under the purchase limit, and consistent with the Office's statutory authority.</p> <p>We judgmentally selected 27 transactions, totaling \$38,241, and found:</p>
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	<ul style="list-style-type: none"><li>• A \$500 donation to an art exhibition without documentation supporting how the expenditure was consistent with the statutory authority of the Women's Commission.</li><li>• Fifteen transactions lacked documented purchase approval for making the payment.</li><li>• Three transactions were either over the purchase limit or split to bypass the purchase limit.</li></ul> <p>We recommend the Office:</p> <ul style="list-style-type: none"><li>• Update its purchase card policy to ensure employees are aware of purchasing limits, written authorization and approval requirements, and <i>State Administrative and Accounting Manual</i> (SAAM) requirements</li><li>• Monitor purchase card transactions monthly to ensure employees follow its purchase card policy and SAAM requirements</li><li>• Maintain sufficient documentation for purchases to show they are consistent with its statutory authority</li></ul> <p><b>Bank Accounts</b></p> <p>The Office has three local fund bank accounts: Women's Commission, Office of Equity, and the Governor's Mansion Operating Account. The Women's Commission and Office of Equity accounts are funded by donations. The Governor's Mansion Operating Account is a state-funded petty cash account.</p> <p><i>Women's Commission</i></p> <p>We reviewed nine monthly bank reconciliations for the Women's Commission account and found:</p> <ul style="list-style-type: none"><li>• Nine monthly reconciliations were missing documentation to determine when and whether they were performed with proper segregation of duties.</li><li>• One deposit did not have supporting documentation to determine if it was from a private source and, therefore,</li></ul>
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## Office of the Governor

	<p>needed to be reported to the Office of Financial Management, as required by RCW 43.119.</p> <ul style="list-style-type: none"><li>• A \$100 withdrawal in November 2022 was a billing error that occurred when registering for a virtual conference. It remained uncorrected at the time of our audit.</li></ul> <p><i>Office of Equity</i></p> <p>We reviewed three monthly bank reconciliations for the Office of Equity. We found two deposits did not have supporting documentation to determine if they were from a private source and, therefore, needed to be reported to the Office of Financial Management, as required by RCW 43.06D.</p> <p><i>Governor's Mansion Operating Account</i></p> <p>We reviewed 16 monthly bank reconciliations for the Governor's Mansion Operating Account and found:</p> <ul style="list-style-type: none"><li>• Fourteen monthly reconciliations were missing documentation to determine the date they were performed.</li><li>• In all 16 monthly reconciliations, we were unable to determine whether they were performed with proper segregation of duties.</li><li>• In eight out of 16 months, the petty cash account was not reimbursed monthly.</li><li>• One deposit of \$3,748 in August 2022 should have been deposited into the Treasury account. It remained uncorrected at the time of our audit.</li></ul> <p>We recommend the Office:</p> <ul style="list-style-type: none"><li>• Adequately document monthly reconciliations, including the date and signatures of who performed and reviewed them, to ensure compliance with SAAM 85.50.40.c</li><li>• Reimburse the Governor's Mansion Operating Account monthly for amounts greater than \$100 to ensure compliance with SAAM 85.50.60.e</li></ul>
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## Office of the Governor

	<ul style="list-style-type: none"><li>• Maintain adequate documentation for withdrawals and deposits to ensure compliance with RCW 43.119 and 43.06D</li><li>• Correct errors noted in bank reconciliations as soon as possible</li></ul>
<b>NOTES</b>	
The issues with the Women's Commission and Office of Equity were communicated to Jamie Langford and Kelly Wicker in the weekly checkin meeting on August 25th.	
See LOR here [ <a href="#">AS2.a</a> ].	
<b>ISS.5 - V: Disbursement Support</b>	
<i>Prepared By:</i> DRR, 10/9/2023 <i>Reviewed By:</i> SHW, 10/31/2023 <i>Type:</i> Verbal Recommendation <i>Category:</i> Accounts Payable Disbursements <i>Reporting Level(s):</i>  <i>Impact</i> <i>Cost Savings:</i> <i>Questioned Costs:</i> \$0.00	<i>Issue</i> As part of our tests of general disbursements we noted two expenditures totalling \$3,102 (.25% of the \$1,251,263.70 tested) lacked supporting documentation. In our test of bank reconciliations we noted expenditures totaling \$30.84 to Prime Video were unsupported.  We recommend the Office maintain adequate supporting documentation for all expenditures.
<b>NOTES</b>	
The issue was communicated to Jamie Langford on 09/06/23 in the weekly check in meeting.	

## Office of the Governor

See LOR here [\[AS2.a\]](#).