



STATE OF WASHINGTON

November 27, 2013

The Honorable Jay Inslee, Governor
Members of the Legislature

State law (RCW 39.26.220) requires the State Auditor and Attorney General to annually provide the Governor and the policy and fiscal committees of the Legislature with a collaborative report on state agency contract audit and investigative findings, enforcement actions and the status of agency resolution.

This letter serves as our report of findings issued and actions taken from January 1, 2013 to June 30, 2013.

STATE AUDITOR'S OFFICE

Performance Audits

On January 3, 2013, our Office issued a performance audit that examined vessel construction costs of Washington State Ferries (WSF). In this report¹ we identified opportunities for the state to realize cost savings by making changes to their contracting practices for ferry construction. We recommended that the Legislature address regulatory barriers that limited competition of vessel procurements and that the WSF continue to improve its vessel construction program by adopting leading industry practices.

During the 2013 Legislative session, no bills were passed in response to our audit recommendations. In its official response to the audit report, the Washington State Department of Transportation (WSDOT) agreed that its leading practices could be strengthened and provided examples of changes made as a result of the audit.

Compliance and Accountability Audits

In March 2013 we issued our annual single audit report². In this audit we determined whether state agencies were in compliance with federal grant requirements for the fiscal year ending June 30, 2012. We issued one finding related to contracts where the Department of Services for the Blind did not have adequate internal controls in place to ensure federal suspension and debarment

¹ <http://www.sao.wa.gov/auditreports/auditreportfiles/ar1008884.pdf>

² <http://www.sao.wa.gov/auditreports/auditreportfiles/ar1009510.pdf>

requirements for contractors were met. The Department concurred with our finding and reported to us and to the Office of Financial Management that actions have been taken to address the issue. We will follow-up with the Department during this year's single audit.

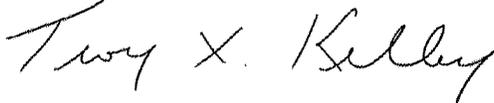
ATTORNEY GENERAL'S OFFICE

The Auditor issued only two findings related to contracts during the reporting period. A performance audit that examined vessel construction costs of Washington State Ferries identified areas of cost savings. In response, the Department of Transportation provided examples of changes made as a result of the audit findings.

The Auditor also issued one finding related to contracts where the Department of Services for the Blind did not have internal controls in place to ensure federal suspension and debarment requirements for contractors were met. No suspended or debarred contractors were in fact retained by the Department of Services for the Blind. The agency concurred with the Auditor's finding and took actions to address the issue.

The agencies took action in response to the audit findings. The Attorney General's Office will remain available to work with the Auditor as the Auditor continues to monitor the agencies' corrective actions.

Sincerely,



TROY KELLEY
State Auditor



for BOB FERGUSON
Attorney General