



**Washington State Auditor's Office**

**Troy Kelley**

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## **Federal Single Audit Report**

# **King County**

**For the period January 1, 2013 through December 31, 2013**

**Published September 4, 2014**

**Report No. 1012451**





**Washington State Auditor**  
**Troy Kelley**

September 4, 2014

Council and Executive  
King County  
Seattle, Washington

**Report on Federal Single Audit**

Please find attached our report on King County's compliance with federal laws and regulations.

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

TROY KELLEY  
STATE AUDITOR

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# Federal Summary

## King County January 1, 2013 through December 31, 2013

The results of our audit of King County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

### ***FINANCIAL STATEMENTS***

An unmodified opinion was issued on the financial statements.

#### ***Internal Control Over Financial Reporting:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

### ***FEDERAL AWARDS***

#### ***Internal Control Over Major Programs:***

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.267	Continuum of Care
16.738	JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA - JAG Program Cluster - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government (Recovery Act)
20.106	Airport Improvement Program
20.500	Federal Transit Cluster - Federal Transit - Capital Investment Grants
20.507	Federal Transit Cluster - Federal Transit - Formula Grants
20.525	Federal Transit Cluster – Federal Transit – State of Good Repair Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.778	Medicaid Cluster - Medical Assistance Program
93.914	HIV Emergency Relief Project Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$3,000,000.

The County did not qualify as a low-risk auditee under OMB Circular A-133.

# Schedule of Federal Audit Findings and Questioned Costs

## King County January 1, 2013 through December 31, 2013

### 1. The County's internal controls were not adequate to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.

<b>CFDA Number and Title:</b>	20.500 Federal Transit Capital Investment Grants 20.507 Federal Transit Formula Grants – Urbanized Area Formula Program 20.525 State of Good Repair Grants
<b>Federal Grantor Name:</b>	U.S. Department of Transportation
<b>Federal Award/Contract Numbers:</b>	WA-03-0135, WA-90-0256, WA-95-0005, WA-95-0027, WA-95-0043, WA-03-0245, WA-03-0236, WA-03-0243, WA-04-0021, WA-04-0032, WA-04-0061, WA-04-0067, WA-90-0209, WA-90-0219, WA-90-0254, WA-90-0321, WA-90-0323, WA-90-0363, WA-90-0405, WA-90-0455, WA-90-0479, WA-04-0077, WA-04-0078, WA-04-0081, WA-04-0080, WA-90-0513, WA-04-0084, WA-04-0099, WA-54-0002, WA-90-0523, WA-95-0069, WA-54-0006
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

### Background

The County spent \$70,242,523 in federal funds provided by the U.S. Department of Transportation (DOT) for the Federal Transit Cluster in 2013. Grant funding may be used for financing the planning, acquisition, construction, preventative maintenance, and improvement of facilities and equipment in public transportation services.

We audited six out of thirty-two transit awards, which represents 80 percent of the funds spent during the year. Two of the awards passed through grants funds in the amount of \$4,800,000 and \$1,400,000 to the city of Shoreline and city of Tukwila, respectively.

## **Description of Condition**

The Federal Funding Accountability and Transparency Act of 2006 requires grantees to report subawards to subrecipients for amounts of \$25,000 or more. They must report each subaward by the end of the month following the month in which it was granted.

During our audit we found the County did not have sufficient internal controls in place to ensure the fiscal year 2013 Accountability Act reports were submitted before the deadline. We consider the control deficiency to be a material weakness.

When it was discovered by our Office that the reports had not been submitted, the County immediately submitted the required reports.

## **Cause of Condition**

County staff did not dedicate the necessary resources to ensure compliance with all applicable grant requirements.

## **Effect of Condition and Questioned Costs**

By not correctly submitting the required Accountability Act reports, the federal government's ability to ensure transparency and accountability of federal spending is diminished.

## **Recommendation**

We recommend the County ensure required reports are reviewed and submitted in a timely manner. We also recommend that the County ensure any subawards to subrecipients for amounts of \$25,000 or more within the twenty-six non audited awards be submitted.

## **County's Response**

*The King County Department of Transportation concurs with the Auditor's finding and recommendation.*

*The County submitted the final sub award information into the FFATA Subaward Reporting System (FSRS) on July 15, 2014. The County strengthened departmental procedures to ensure proper oversight and timely report filing. Effective immediately, a second Grants Administrator will review the report prior to its submission. Staff will take part in County-wide supplemental training in FFATA reporting planned by the Financial Management Section (FMS) of the Finance and Business Operations Division (FBOD) in the second quarter of 2015 to help ensure this oversight does not occur in the future.*

## Auditor's Remarks

We appreciate the County's commitment to resolving this issue and wish to thank County management and staff for its cooperation and assistance during the audit. We will review the corrective action taken during our next regularly scheduled audit.

## Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

(a) The audit shall be conducted in accordance with GAGAS.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

**4.23** When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, as follows:

**.07** For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:



Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Title 2, Code of Federal Regulations, APPENDIX A TO PART 170 – AWARD TERM, provides, in part:

I. Reporting Subawards and Executive Compensation.

*a. Reporting of first-tier subawards.*

1. *Applicability.* Unless you are exempt as provided in paragraph d. of this award term, you must report each action that obligates \$25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111–5) for a subaward to an entity (see definitions in paragraph e. of this award term).

2. *Where and when to report.*

i. You must report each obligating action described in paragraph a.1. of this award term to *<http://www.fsrs.gov>*.

ii. For subaward information, report no later than the end of the month following the month in which the obligation was made. (For example, if the obligation was made on November 7, 2010, the obligation must be reported by no later than December 31, 2010.)

# Schedule of Federal Audit Findings and Questioned Costs

## King County January 1, 2013 through December 31, 2013

### 2. The County advanced \$10,000 to a subrecipient to be used as a revolving fund which is unallowable.

<b>CFDA Number and Title:</b>	14.267 Continuum of Care
<b>Federal Grantor Name:</b>	U.S. Department of Housing and Urban Development (HUD)
<b>Federal Award/Contract Number:</b>	WA0034LOT001205
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$10,000

#### Background

During the audit period, the County spent \$5,459,934 in federal funds for the Continuum of Care grant. Grant funding may be used to provide rental assistance, medical services, case management and various support services to homeless persons and their eligible family members. The grant period runs from May, 2013 to April, 2014.

The County contracted with a subrecipient to administer the program. The subrecipient contracted with landlords and organizations to provide direct services to eligible participants. Monthly, the subrecipient requested reimbursement from the County for allowable costs to the program.

Federal regulations require direct costs be identifiable with a specific final cost objective. In addition, payment of contingency provisions is unallowable.

#### Description of Condition

At the beginning of the grant period, the County advanced \$10,000 to the subrecipient to be used as a revolving fund for rental assistance payments made where reimbursement by the County would not be immediately made. The advance was not supported by actual costs of the subrecipient. The County was reimbursed from HUD for the \$10,000.

At the end of the grant period, the subrecipient reduced the final reimbursement request to the County by \$10,000.

## **Cause of Condition**

County staff responsible for administering reimbursement requests of the subrecipient was not familiar enough with requirements for allowable activities, and cost principles applicable to federal grants and followed a long-standing practice to provide the subrecipient an advance at the beginning of the grant period.

## **Effect of Condition and Questioned Costs**

The County was reimbursed for the \$10,000 advance from the grantor, which is not related to a specific cost objective and unallowable. We are questioning this amount.

## **Recommendation**

We recommend the County avoid the practice of providing advances to subrecipients and establish and follow internal controls over the Continuum of Care grant to ensure that subrecipient reimbursement requests are for allowable costs and properly supported.

We further recommend the County work with the federal grantor to determine the amounts to be repaid, if any.

## **County's Response**

*The County agrees with this recommendation. As a result, the DCHS Community Services Division has updated our internal controls over Continuum of Care funding to ensure subrecipient expenditures are allowable and properly supported. If future advances are provided to the subrecipient, prior approval from HUD will be secured or advances will be disbursed from non-federal funds.*

*The advance was reconciled at the end of the grant period and all disbursements were supported by allowable, supported expenditures. Therefore, DCHS does not believe there is any amount to be repaid.*

## **Auditor's Remarks**

We appreciate the County's commitment to resolving this issue and wish to thank County management and staff for its cooperation and assistance during the audit. We will review the corrective action taken during our next regularly scheduled audit.

## **Applicable laws and Regulations**

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR Part 200), Attachment A, states in part:

### **D. Composition of Cost**

1. Total Cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable indirect costs, less applicable credits

#### E. Direct Costs

1. General. Direct Costs are those that can be identified specifically with a particular final cost objective.

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR Part 200), Attachment B, states in part:

9. Contingency provisions. Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable.

Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, states in part:

#### Section .510

(a) Audit findings reported. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

(3) Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs) not just the questioned costs specifically identified (known questioned costs) The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program . . . .

# Schedule of Prior Federal Audit Findings

## King County January 1, 2013 through December 31, 2013

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of King County. The State Auditor's Office has reviewed the status as presented by the County.

<b>Audit Period:</b> 2012	<b>Report Ref. No.:</b> 1010522	<b>Finding Ref. No.:</b> 1	<b>CFDA Number(s):</b> 66.458
<b>Federal Program Name and Granting Agency:</b> Capitalization Grants for Clean Water, U.S. Environmental Protection Agency		<b>Pass-Through Agency Name:</b> Department of Ecology	
<b>Finding Caption:</b> The County did not have controls in place for the first seven months of 2012 to ensure Davis-Bacon Act (prevailing wages) requirements were met.			
<b>Background:</b> The County spent \$9,027,412 in Capitalization Grants for Clean Water State Revolving Funds during 2012. All of the expenditures were for construction costs. The Davis-Bacon Act requires contractors to pay federally prescribed prevailing wages to laborers for federally funded construction projects that exceed \$2,000. Grant recipients must include in the construction contracts a provision the contractors and subcontractors must comply with the Act. Grant recipients must obtain weekly statements of compliance or certified payrolls. In addition, the awarding agency has required a special Environmental Protection Agency (EPA) insert regarding Davis-Bacon be included in all contracts for contractors and subcontractors.  In our 2011 audit, we notified County management of these requirements and reported noncompliance with Davis-Bacon Act requirements. However, prior to our 2011 audit, in July 2012, the County found they were not in compliance with the awarding agency’s requirement that a special EPA insert, regarding the Davis-Bacon requirement of receiving certified payrolls on a weekly basis, be included in all contracts for contractors and subcontractors.  In July 2012, the County began implementing procedures to comply with Davis-Bacon requirements: <ul style="list-style-type: none"><li>• The County informed the contractor of the requirement that statements of compliance or certified payrolls are due on a weekly basis.</li><li>• The County requested all outstanding certified payrolls from the contractor.</li><li>• The County implemented a process to review laborer’s pay wages against federally prescribed prevailing wages.</li></ul>			

Though the County implemented new control processes in July 2012 to comply with Davis-Bacon Act requirements, they did not have controls in place for the first seven months of 2012 and; therefore, were not in compliance with the requirements during that time. We confirmed the County has since obtained all outstanding certified payrolls.

**Status of Corrective Action: (check one)**

☐ Fully  
Corrected

☒ Partially  
Corrected

☐ No Corrective  
Action Taken

☐ Finding is considered no  
longer valid

**Corrective Action Taken:**

*The Wastewater Treatment Division (WTD) began implementing its corrective action plan in the latter part of 2012, bringing WTD into compliance with the Davis-Bacon Act. WTD implemented the following controls for the current federally funded construction contract and these controls will be implemented to cover future construction contracts with Davis-Bacon Act applicability:*

- *Weekly Certified Payroll submittals were requested and have been received from the contractor for the current construction contract. Current bid documents, where Davis-Bacon Act requirements are applicable, have been enhanced to include specific language of the responsibility of the contractor to provide the Weekly Certified Payrolls to WTD on a weekly basis.*
- *WTD personnel have audited, reviewed, and verified prevailing wage rates were paid for current certified payroll submittals and have enforced any necessary corrections.*
- *WTD has implemented the periodic interview process of the prime contractor's employees and the subcontractor employees per Davis-Bacon Act requirements. Interview documentation to be placed in WTD's project files.*
- *WTD personnel responsible for current contract administration of applicable Davis-Bacon construction contracts (specifically, for the Ballard siphon project) were trained in July 2012 on the appropriate understanding of the Davis-Bacon Act submittal requirements. Future training will occur on an as-required basis for WTD personnel whose construction contract has Davis-Bacon Act requirements. The Grants Administrator will identify Davis-Bacon Act-affected construction contracts and coordinate with the Capital Projects Manager to provide Davis-Bacon Act requirements training to WTD personnel assigned contract administration for the affected contract.*

<b>Audit Period:</b> 2012	<b>Report Ref.No.:</b> 1010522	<b>Finding Ref. No.:</b> 2	<b>CFDA Number(s):</b> 93.914
<b>Federal Program Name and Granting Agency:</b> HIV Emergency Relief Project Grants, U.S. Health Resources and Services Administration		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The County did not have adequate internal controls to ensure compliance with federal time and effort and earmarking requirements for the HIV Emergency Relief Project Grants program.			

**Background:****Time and effort**

We reviewed payroll transactions to determine whether salaries and benefits charged to the federal grant were supported by adequate time and effort documentation, as required by federal regulations. Depending on the number and type of activities an employee works on, documentation can be a semi-annual certification or a monthly personnel activity report, such as a timesheet.

We reviewed payroll records for eight employees whose salaries and benefits were charged to the grant. We found the four hourly employees properly submitted timesheets. However, we found the four salaried employees did not submit semi-annual certifications. The County's internal processes do not include one for collecting required time and effort information for salaried employees.

**Earmarking**

During the period under audit, the County charged \$6.8 million to this grant. Of this amount, approximately \$6 million was paid to subrecipients.

Federal regulations require the County to use no more than ten percent of the award for administration, accounting, reporting, program oversight and planning council activities. Furthermore, at least 75 percent of the award, after reserving amounts for administrative expenses and clinical quality management, must be used to provide core medical services.

During the audit period, the granting agency performed a monitoring review citing concerns the County did not have a process to track core medical services and administrative costs separately, jeopardizing compliance with the earmarking requirements. In response to the review, the County reviewed administrative costs charged to the grant and determined they were below the 10 percent threshold. However, the County's calculation was incorrect and it did not establish a tracking process to monitor administrative expenses charged by subrecipients.

**Status of Corrective Action: (check one)**

<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> No Corrective Action Taken	<input type="checkbox"/> Finding is considered no longer valid
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**Corrective Action Taken:**

*Public Health – Seattle and King County (PHSKC) thanks the SAO for their work and has implemented recommendations regarding time and effort documentation and the tracking of administrative costs (“earmarking”). PHSKC also provides additional information about the earmarking component of the finding below and is confident that the questioned costs will not be an issue with the federal granting agency.*

**Time and Effort**

*PHSKC concurs with the auditor's finding of deficient time and effort documentation in this program, and we appreciate the auditor's willingness to consider other documentation showing the allowable nature of the expenditures.*

*In concert with the launch of the County's new payroll system, PHSKC offered time and effort training for all grant funded employees; the training included instructions for both hourly and*

*salaried staff on use of the new payroll system. PHSKC central finance staff will remind finance managers in all divisions about the importance of time and effort documentation, and review with them the time and effort training materials used previously and available to all PHSKC employees on the intranet.*

*Earmarking*

*PHSKC acknowledges feedback from the SAO and granting agency that 2012 contracts in this program made it difficult to discern, within tight audit/review timelines, the direct service nature of some subgrantee positions which have administrative titles.*

*On January 18, 2013 PHSKC central finance staff, in collaboration with program staff, reviewed contracts which began March 1, 2013 to detect and correct ambiguous direct service/administrative language prior to contract signing. PHSKC believes this review, which will continue in successive contracts, will prevent the issue reported in this finding.*

*Relating to the 2012 questioned contract costs; PHSKC believes that an in-depth review of the work performed by the positions, documented through written communications with our subrecipients, will affirm the direct service nature of the work and full compliance with both the administrative and direct service earmarking requirements of the grant. We look forward to facilitating this review with the program's grantor.*



# **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

**King County**  
**January 1, 2013 through December 31, 2013**

Council and Executive  
King County  
Seattle, Washington

## ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited the compliance of King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Findings 1 and 2. Our opinion on each major federal program is not modified with respect to these matters.

### ***County's Response to Findings***

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a

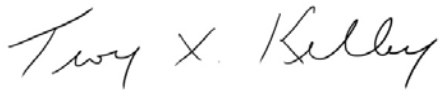
combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 to be a material weakness.

### ***County's Response to Findings***

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

August 25, 2014

# Corrective Action Plan for Findings Reported Under OMB Circular A-133

**King County**  
**January 1, 2013 through December 31, 2013**

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the County. The State Auditor's Office has reviewed the information as presented by the County.

<b>Finding ref number:</b> 1	<b>Finding caption:</b> The County's internal controls were not adequate to ensure compliance with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements.
<b>Name, address, and telephone of auditee contact person:</b> Bill Greene, Chief Financial Officer (206) 477-3820 Department of Transportation 201 S. Jackson Street King Street Center, Suite 815 Seattle, WA 98104	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The County submitted the final sub award information into the FFATA Subaward Reporting System (FSRS) on July 15, 2014. The County strengthened departmental procedures to ensure proper oversight and timely report filing. Effective immediately, a second Grants Administrator will review the report prior to its submission. Staff will take part in County-wide supplemental training in FFATA reporting planned by the Financial Management Section (FMS) of the Finance and Business Operations Division (FBOD) in the second quarter of 2015 to help ensure this oversight does not occur in the future.</i>	
<b>Anticipated date to complete the corrective action:</b> Immediately and training in 2Q15	

<b>Finding ref number:</b> 2	<b>Finding caption:</b> The County advanced \$10,000 to a subrecipient to be used as a revolving fund which is unallowable.
<b>Name, address, and telephone of auditee contact person:</b> Steve Andryszewski, DCHS Chief Financial Officer 401 5th Avenue, Suite 510 Seattle, WA 98104 (206) 263-1247	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>The DCHS Community Services Division has updated their internal controls over Continuum of Care funding to ensure subrecipient expenditures are allowable and properly supported. If future advances are provided to the subrecipient, prior approval from HUD will be secured or</i>	

*future advances are provided to the subrecipient, prior approval from HUD will be secured or advances will be disbursed from non-federal funds. The advance was reconciled at the end of the grant period and all disbursements were supported by allowable, supported expenditures. Therefore, DCHS does not believe there is any amount to be repaid.*

**Anticipated date to complete the corrective action:** Already corrected – 2Q14 (April 2014)

## 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	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>