



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

**Financial Statements and Federal Single Audit  
Report**  
**State of Washington**

**For the period July 1, 2018 through June 30, 2019**

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

June 25, 2020

The Honorable Jay Inslee  
State of Washington  
Olympia, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the State of Washington's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## State of Washington July 1, 2018 through June 30, 2019

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the State of Washington are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### Internal Control over Financial Reporting:

- *Significant Deficiencies:* We identified 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 State.

#### Federal Awards

##### Internal Control over Major Programs:

- *Significant Deficiencies:* We identified 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 State's compliance with requirements applicable to each of its major federal programs, with the exception of the Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund) on which we issued an adverse opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
Various	Research and Development Cluster
10.553	Child Nutrition Cluster – School Breakfast Program
10.555	Child Nutrition Cluster – National School Lunch Program
10.556	Child Nutrition Cluster – Special Milk Program for Children
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.559	Child Nutrition Cluster – Summer Food Service Program for Children
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
16.575	Crime Victim Assistance
17.258	WIOA Cluster – WIOA Adult Program
17.259	WIOA Cluster – WIOA Youth Activities
17.278	WIOA Cluster – WIOA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.219	Highway Planning and Construction Cluster – Recreational Trails Program
20.224	Highway Planning and Construction Cluster – Federal Lands Access 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 – State of Good Repair Grants Program
20.526	Federal Transit Cluster – Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
93.268	Immunization Cooperative Agreements
93.558	TANF Cluster – Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
93.575	CCDF Cluster – Child Care and Development Block Grant
93.596	CCDF Cluster – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.775	Medicaid Cluster – State Medicaid Fraud Control Units
93.777	Medicaid Cluster – State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medicaid Cluster – Medical Assistance Program
93.788	Opioid STR
93.870	Maternal, Infant and Early Childhood Home Visiting Grant
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 the Uniform Guidance, was \$30,000,000.

The State did not qualify as a low-risk auditee under the Uniform Guidance.

## SECTION II – SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title
2019-001	The State's internal controls over financial reporting were insufficient to ensure accurate recording and monitoring of financial activity in its financial statements.

## SECTION III – SUMMARY OF FEDERAL AWARD FINDINGS

Finding Number	Finding Title
2019-002	The Department of Social and Health Services improperly charged \$717,011 to the SNAP Cluster.
2019-003	The Office of the Superintendent of Public Instruction did not ensure Child Nutrition Cluster program reimbursements were made only to entities operating under a written agreement with the Office.
2019-004	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program subrecipients.
2019-005	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to properly account for USDA donated foods.
2019-006	The Department of Health did not have adequate internal controls over and did not comply with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.
2019-007	The Department of Health did not have adequate internal controls over and did not comply with requirements for procurements of goods and services funded by the Special Supplemental Nutrition Program for Women, Infants, and Children program.
2019-008	The Department of Social and Health Services did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.
2019-009	The Department of Social and Health Services did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.
2019-010	The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.
2019-011	The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income Home

	Energy Assistance program received required audits and findings were followed up on timely.
2019-012	The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure Workforce Innovation and Opportunity Act program funds were being used for allowable purposes.
2019-013	The Department did not have adequate internal controls to ensure management decisions related to Workforce Innovation and Opportunity Act findings were issued in a timely manner.
2019-014	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.
2019-015	The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Construction cluster.
2019-016	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.
2019-017	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.
2019-018	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.
2019-019	The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.
2019-020	The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.
2019-021	The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to monitor the activities of subrecipients with subawards funded by the Federal Transit Cluster.
2019-022	The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required by federal rule, findings related to federal program awards were followed up on and management decisions were issued.

2019-023	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.
2019-024	The Department of Social and Health Services improperly charged \$279,844 to the Vocational Rehabilitation grant.
2019-025	The Department of Social and Health Services did not have adequate internal controls to ensure its federal program cost report for the Vocational Rehabilitation grant was accurately prepared.
2019-026	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and made timely for the Vocational Rehabilitation program.
2019-027	The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.
2019-028	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.
2019-029	The Department of Social and Health Services did not have adequate internal controls to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.
2019-030	The Department of Social and Health Services did not have adequate internal controls in place to ensure it submitted accurate quarterly reports for the Temporary Assistance for Needy Families grant.
2019-031	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure quarterly and annual reports for the Temporary Assistance for Needy Families grant were submitted accurately.
2019-032	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.
2019-033	The Department of Commerce did not have adequate internal controls over and did not comply with earmarking requirements for the Low-Income Home Energy Assistance program.
2019-034	The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.

2019-035	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.
2019-036	The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.
2019-037	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with matching requirements for the Child Care and Development Fund.
2019-038	The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.
2019-039	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.
2019-040	The Department of Children, Youth, and Families improperly charged \$161,394 to the federal foster care grant.
2019-041	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the Foster Care grant were allowable and properly supported.
2019-042	The Department of Children, Youth, and Families made improper payments to Foster Care providers.
2019-043	The Department of Children, Youth and Families did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.
2019-044	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan Requirements.
2019-045	The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.
2019-046	The Department of Health did not have adequate internal controls over and did not comply with requirements to ensure complaints for Medicaid hospitals were responded to promptly.
2019-047	The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.

2019-048	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.
2019-049	The Health Care Authority did not have adequate internal controls to ensure Medicaid expenditures for Children's Health Insurance Program Funds were allowable.
2019-050	The Health Care Authority made improper Medicaid payments to clients that were not eligible for the Modified Adjusted Gross Income Medicaid program.
2019-051	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.
2019-052	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure reports of potential fraud obtained through the Medicaid Service Verification process were investigated.
2019-053	The Health Care Authority, Section of Program Integrity, Audit and Investigations Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.
2019-054	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.
2019-055	The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
2019-056	The Department of Social and Health Services, Developmental Disabilities Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.
2019-057	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
2019-058	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.
2019-059	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure



	Medicaid Community First Choice individual providers had proper background checks.
2019-060	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid payments to home care agencies were allowable.
2019-061	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with survey requirements for Medicaid intermediate care facilities.
2019-062	The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.
2019-063	The Department of Social and Health Services did not report fraud affecting the Medicaid program to the federal grantor.
2019-064	The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Opioid State Targeted Response Grants were allowable and met period of performance requirements.
2019-065	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required audits.
2019-066	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required risk assessments.
2019-067	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.
2019-068	The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Block Grants for Prevention and Treatment of Substance Abuse were allowable and met earmarking requirements.
2019-069	The Health Care Authority did not have adequate internal controls over and did not comply with federal level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.
2019-070	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.



## SECTION IV – SUMMARY OF QUESTIONED COSTS

<b>Federal Grantor</b>	<b>State Agency</b>	<b>CFDA Numbers</b>	<b>Federal Program</b>	<b>Known Questioned Costs</b>	<b>Likely Improper Payments</b>	<b>Finding Number(s)</b>
U.S. Department of Agriculture	Department of Social and Health Services	10.551 10.561	Supplemental Nutrition Assistance Program	\$717,011	\$0	2019-002
U.S. Department of Agriculture	Office of the Superintendent of Public Instruction	10.553 10.555 10.556 10.559	Child Nutrition Cluster	\$33,923	\$0	2019-003
U.S. Department of Transportation	Department of Transportation	20.526	Federal Transit Cluster	\$1,093,061	\$0	2019-020
U.S. Department of Education	Department of Social and Health Services	84.126	Vocational Rehabilitation Grants to States	\$303,513	\$1,722,477	2019-023 2019-024
U.S. Department of Health and Human Services	Department of Social and Health Services	93.558	Temporary Assistance for Needy Families	\$7,647	\$16,462,589	2019-029 2019-032
U.S. Department of Health and Human Services	Department of Social and Health Services	93.575 93.596	Child Care and Development Fund Cluster	\$59,223	\$26,994,629	2019-032
U.S. Department of Health and Human Services	Department of Children, Youth, and Families	93.575 93.596	Child Care and Development Fund Cluster	\$30,536,512	\$25,984,166	2019-035 2019-036 2019-037 2019-038 2019-039
U.S. Department of Health and Human Services	Department of Children, Youth, and Families	93.658	Foster Care Title IV-E	\$12,580,803	\$0	2019-040 2019-041 2019-042

U.S. Department of Health and Human Services	Health Care Authority	93.775 93.777 93.778	Medicaid	\$1,593	\$482,580	2019-049 2019-050
U.S. Department of Health and Human Services	Department of Social and Health Services	93.775 93.777 93.778	Medicaid	\$119,270,917	\$715,207,088	2019-054 2019-055 2019-056 2019-057 2019-058 2019-059
U.S. Department of Health and Human Services	Department of Children, Youth, and Families	93.870	Maternal, Infant, and Early Childhood Home Visiting Program	\$274,287	\$374,805	2019-067

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### State of Washington

July 1, 2018 through June 30, 2019

**2019-001      The State's internal controls over financial reporting were insufficient to ensure accurate recording and monitoring of financial activity in its financial statements.**

#### *Background*

State management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting. We identified deficiencies in internal controls that could adversely affect the State's ability to prevent, or quickly detect and correct, misstatements in the financial statements.

*Government Auditing Standards*, prescribed by the Comptroller General of the United States, requires the auditor to communicate significant deficiencies in internal controls, as defined below in the Applicable Laws and Regulations section, as a finding.

#### *State Board for Community and Technical Colleges*

The State Board for Community and Technical Colleges (SBCTC) advocates for, coordinates, and directs Washington's system of 34 public community and technical colleges. One of SBCTC's responsibilities is to collect and consolidate community and technical college financial data for reporting in the State's general ledger accounting system. During the previous two audits, we identified and communicated deficiencies in controls over the reporting of community and technical college financial data.

#### *Health Care Authority*

The Health Care Authority (HCA) contracts with a vendor, which uses a system known as ProviderOne, to process payments for Medicaid. During the previous six audits, we identified and communicated deficiencies in controls over the ProviderOne system. For fiscal year 2019, ProviderOne processed about 124 million transactions totaling \$10.5 billion.

#### *Description of Condition*

Our audit identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

#### *SBCTC*

In 2015, SBCTC began to implement a modernized computer system to replace the existing legacy software. Two colleges converted to this new system that same year. SBCTC has used a manual process to convert and enter financial data from this system into the State's general ledger accounting system while working on a new automated process. Because of the number of errors resulting from this process, SBCTC could not completely reconcile the individual college financial data with the State's accounting system after fiscal year end.

## *HCA*

HCA relies on controls performed by the vendor, but has not obtained a service organization control audit report (also called a SOC 1 report) for the ProviderOne system for fiscal year 2019. This report is essential because it determines whether controls are properly designed and operating as intended in the processing and recording of Medicaid payments.

### *Cause of Condition*

#### *SBCTC*

SBCTC has been developing an automated process to transmit college financial data into the State's accounting system. However at fiscal year-end, this process was not yet complete. SBCTC did not dedicate sufficient time or resources to reconciling the balances and making appropriate adjustments to the State's accounting system.

## *HCA*

HCA and its vendor did not adequately outline in their original contract the responsibilities, controls and requirements for monitoring the ProviderOne system. Specifically, the contract did not require the vendor to provide a SOC 1 report to demonstrate that controls were effective. At the time of the contract, HCA did not completely understand the extent of its monitoring responsibilities for ProviderOne.

### *Effect of Condition*

#### *SBCTC*

We found numerous unexplained variances between consolidated college financial data and amounts recorded in the State's accounting system. Some of these variances include:

- In non-major funds, the State's accounting system reported revenue was \$86 million less, expenditures were \$29 million more, and assets were \$16 million less than in the consolidated college financial data.
- In the higher education special revenue funds, the State's accounting system reported expenditures were \$15 million more than in the consolidated college financial data.

The State did not correct these errors in its financial statements.

## *HCA*

The State has less assurance that vendor controls are properly designed and operating effectively. The failure of these controls over the ProviderOne system could lead to:

- Inaccurate financial reporting in the state's General Fund
- Misuse, loss or misappropriation, inaccurate payments, and unauthorized software changes to the ProviderOne system

## ***Recommendations***

We recommend the following:

### ***SBCTC***

- Complete the automated the process to transmit college financial data into the State's accounting system.
- Perform complete and timely reconciliations of college financial data to the State's accounting system throughout the fiscal year

### ***HCA***

Work with its vendor to obtain, each year, a service organization control audit report that covers an entire fiscal year.

## ***State's Response***

*The State recognizes the significance and priority of internal controls over recording and reporting financial transactions.*

*OFM will work with the two agencies included in the finding to improve their internal controls over the processing and reporting of financial activities. OFM will continue to provide assistance to the State Board of Community and Technical Colleges in its effort to complete the automated process of transmitting college financial data into the State's accounting system.*

## ***Auditor's Remarks***

We appreciate the state's commitment to resolving this finding and thank the state for their cooperation and assistance. 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:

- (4) In addition, the director of financial management, as agent of the governor, shall:
  - (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.

Government Auditing Standards, December 2011 Revision, paragraph 4.23 establishes reporting requirements related to significant deficiencies or material weaknesses in internal control,

instances of fraud or abuse, and noncompliance with provisions of law, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The Office of Financial Management's State Administrative and Accounting Manual (SAAM), states in part:

#### Section 20.15.30 Annual requirements for agencies related to statewide reporting

The Office of Financial Management (OFM) prepares the state's Comprehensive Annual Financial Report (CAFR) annually. While OFM has final responsibility for the contents of the CAFR, the data in the financial statements and many of the notes to the financial statements are generated from Agency Financial Reporting System (AFRS) transactions input by agencies. Because agencies are in control of transactions entered into AFRS, OFM relies on agency internal control systems and the monitoring of those systems to assert in writing that the CAFR is correct and complete.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### State of Washington July 1, 2018 through June 30, 2019

**2019-002      The Department of Social and Health Services improperly charged \$717,011 to the SNAP Cluster.**

**Federal Awarding Agency:** U.S. Department of Agriculture  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 10.551 Supplemental Nutrition Assistance Program (SNAP)  
10.561 State Administrative Matching Grants for SNAP  
**Federal Award Number:** 197WAWA4S2514, 197WAWA5Q3903  
**Applicable Compliance Component:** Period of Performance  
**Known Questioned Cost Amount:** \$717,011

#### *Background*

The Department of Social and Health Services (Department) administers the Supplemental Nutrition Assistance Program (SNAP) Cluster. The Department is responsible for ensuring grant money is used for costs that are allowable and related to each grant's purpose. Each federal grant specifies a performance period during which program costs may be obligated or liquidated. These periods typically align with the federal fiscal year of October 1 through September 30. Payments for costs charged before a grant's beginning date are not allowed without the grantor's prior approval.

The Department spent about \$1.3 billion in federal grant funds during fiscal year 2019.

The Department uses a financial system that is heavily automated and assigns expenditures to a specific grant year. In the prior audits, we reported the Department improperly charged multiple federal grants before their beginning dates. These were reported as finding numbers 2018-002, 2017-002, 2016-002, 2015-003 and 2014-022.

#### *Description of Condition*

The Department had adequate internal controls to ensure it materially complied with period of performance requirements. However, we found it charged \$717,011 in expenditures to the SNAP Cluster for activities that occurred before the grant was open.

The Department did not have prior authorization from the grantor to charge these grants.

#### *Cause of Condition*

Staff followed documented procedures and all improper charges were identified before the close of the state fiscal year. However, the Accounting Unit was short staffed and did not have the

capacity or time to process the journal vouchers in time to reverse the improper charges prior the closing of the state fiscal year accounting records.

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

We are questioning \$717,011 of improperly charged expenditures made to the SNAP Cluster before the start of the performance period.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Charge expenditures to federal grants only if the expenditures are obligated during the period of performance
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with the finding.*

*While the Department concurs we initially charged \$717,011 in expenditures to the SNAP-Ed grant before the start of the performance period, we do not concur the Department was out of compliance with grant regulations as the Department corrected the charges within the grant's two-year federal period of performance cycle, and before the auditors started their review of period of performance at Economic Services Administration for the state fiscal year 2019 Statewide Single Audit. The state fiscal year runs from July 1 of the current year to June 30 of the following year, while the federal fiscal year runs from October 1 of the current year to September 30 of the following year.*

*The Department performs a monthly review to identify and correct expenditures that are out of compliance with period of performance requirements. In addition, the Department performs a final end-of-the year review to ensure we correct all expenditures charged outside the period of performance before the state accounting records close.*

*For state fiscal year 2019, during the final end-of-the year review, the Department identified expenditures totaling \$717,011 that were out of compliance with period of performance requirements. On August 21, 2019, the Department processed a journal voucher moving the \$717,011 in expenditures from charging to the 2019 SNAP-Ed grant and applied the expenditures appropriately to the 2018 SNAP-Ed grant. Since the Department's last day to process transactions in the Agency Financial Reporting System for state fiscal year 2019 close was August 16, 2019, the aforementioned journal voucher technically processed under state fiscal year 2020. However, per the Federal SNAP-Ed Plan and federal guidance, the SNAP-Ed grant has a two-year period of performance. The Department receives a SNAP-Ed grant every year, therefore will always have an overlapping year – where we use the First-In, First-Out (FIFO) method. The Department maintains we corrected the non-compliance issue concurrent to closing the state fiscal year*



*accounting records and within the two-year federal period of performance, and were in compliance with federal regulations pertaining to a First In, First Out Grant.*

*The Department missed the August 16, 2019 deadline due to being short staffed. When a prior employee left, their workload transitioned to the employee responsible for monitoring compliance with period of performance. With this increased workload, the current employee did not have the capacity or time to reverse all improper charges prior to the Department's August 16, 2019 state fiscal year close deadline.*

*As an immediate solution, the Department will set an internal deadline for completing the final end-of-the year review for period of performance compliance prior to the Department's end of the state fiscal year deadline to process transactions in the Agency Financial Reporting System. In addition, the Administrator will assist the employee responsible for monitoring compliance with period of performance as needed. However, this is not a sustainable coverage plan.*

*As a long term solution to address the staffing issue, the Department will request an additional full time accounting position to assume the workload left from the prior employee in addition to taking on the responsibility to monitor compliance with period of performance requirement ensuring the Department charges expenditures to federal grants only if the expenditures are obligated during the period of performance.*

*If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the Department of Health and Human Services and will take appropriate action.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

**2019-003      The Office of the Superintendent of Public Instruction did not ensure Child Nutrition Cluster program reimbursements were made only to entities operating under a written agreement with the Office.**

<b>Federal Awarding Agency:</b>	United States Department of Agriculture
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	10.553      Child Nutrition Cluster Program
	10.555
	10.556
	10.559
<b>Federal Award Number:</b>	187WAWA3N1099
	197WAWA3N1099
<b>Applicable Compliance Component:</b>	Eligibility
<b>Known Questioned Cost Amount:</b>	\$33,923

***Background***

The Office of the Superintendent of Public Instruction (Office) administers the Child Nutrition Cluster program (program) to: provide healthy and nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and to encourage the domestic consumption of nutritious agricultural commodities. The Office spent about \$298 million, including non-cash assistance, in federal funds on the program during the audit period. All but about \$200,000 of the amount was passed through to school food authorities (SFA) and other sponsors as subawards.

Federal regulations require each SFA, or other sponsor approved to participate in the child nutrition program, to enter into a written agreement with the state agency. The regulations also require reimbursement payments to be made only to school food authorities or sponsors operating under a written agreement.

***Description of Condition***

We found the Office had adequate internal controls to ensure material compliance with program eligibility requirements. However, the Office did not ensure program reimbursements were made only to entities operating under a written agreement with the Office.

The Office renews all program agreements annually. During the audit period, the Office renewed 442 sponsor agreements and entered into three new sponsor agreements. We used a statistical sampling method to randomly select and examine 55 of the 442 sponsors with renewed agreements and the three new sponsors.

We determined one new sponsor was determined eligible to participate in the program without a written agreement. The sponsor received a total of \$33,923 in Child Nutrition cluster funds from the Office.

This condition was not reported in the prior audit.

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

The sponsor was previously participating in the program and then took a year break from participating. When the sponsor reapplied, Child Nutrition program staff had difficulties in communicating with this sponsor, which resulted in them forgetting to collect a signed agreement.

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

A signed permanent agreement is required to participate in the Child Nutrition Cluster Program. We are questioning \$33,923 that was paid to the sponsor without a written agreement. Federal regulations require the auditor to issue a finding when the known or estimated questioned costs identified in a single audit exceed \$25,000.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Office:

- Ensure that all SFAs, or other sponsors approved to participate in the child nutrition program, enter into a written agreement
- Consult with the U.S. Department of Agriculture regarding whether the known questioned costs identified by the audit should be repaid

### ***Agency's Response***

*OSPI concurs with this finding. This was an isolated incident where the sponsor was previously participating, went off the program and then wanted to come back. Part way through the application process the sponsor changed their mind on what program they wanted to operate. During the switch between programs a permanent agreement for the program was not collected from the sponsor. Steps taken to ensure this will not happen in the future include:*

- *Implementation of a single permanent Child Nutrition Programs Agreement. This will eliminate any confusion regarding what program agreement is to be used.*
- *Updated internal process for review and approval of Sponsor Program applications.*

*OSPI consulted with USDA regarding the reimbursement provided to the sponsor. After providing details of what happened and the sponsors past and current administration of USDA Child Nutrition Programs, USDA has determined that the funds reimbursed to the sponsor during the time a permanent agreement was not in place, do not need to be recovered.*

### ***Auditor's Remarks***

We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity,

either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 7, Code of Federal Regulations, Section 210.7 Reimbursement for school food authorities, states in part:

- (a) General. Reimbursement payments to finance nonprofit school food service operations shall be made only to school food authorities operating under a written agreement with the State agency. Subject to the provisions of § 210.8(c), such payments may be made for lunches and meal supplements served in accordance with provisions of this part and part 245 in the calendar month preceding the calendar month in which the agreement is executed.

Title 7, Code of Federal Regulations, Section 210.9 Agreement with State Agency, states in part:

- (b) Agreement. Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary.

**2019-004      The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program subrecipients.**

<b>Federal Awarding Agency:</b>	United States Department of Agriculture
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	10.553      Child Nutrition Cluster
	10.555
	10.556
	10.559
<b>Federal Award Number:</b>	187WAWA3N1099
	197WAWA3N1099
<b>Applicable Compliance Component:</b>	Suspension and Debarment
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Office of Superintendent of Public Instruction (Office) administers the Child Nutrition Cluster program to: provide healthy and nutritious meals to eligible children in public and non-profit private schools, residential child-care institutions, and summer recreation programs; and encourage the domestic consumption of nutritious agricultural commodities. The Office spent about \$298 million, including non-cash assistance, in federal funds on the program during the audit period. All but about \$200,000 of the amount was passed through to school food authorities (SFA) and other sponsors as subawards.

Federal regulations prohibit grantees from making subawards under covered transactions to parties that are suspended or debarred from doing business with the federal government. The regulations require grantees to verify that all subrecipients of federal funds are not suspended or debarred using one of three approved methods. The Office's verification procedure is to add a clause or condition to each subaward in which the signer attests they are not suspended or debarred.

***Description of Condition***

The Office did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program subrecipients.

We used a statistical sampling method and randomly selected 55 of 442 subrecipients for review. For the selected subrecipients, we examined the subaward records to confirm that a suspended and debarred clause or condition was included in the agreement. We determined the Office did not require 14 subrecipients to certify that they were not suspended or debarred before receiving federal funds. This is an exception rate of 25 percent.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.



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

Program staff believed that tax-exempt or non-profit organizations were not subject to the suspension and debarment requirements.

### ***Effect of Condition***

By not following one of the three federally approved methods, the Office risks not identifying suspended or debarred subrecipients before issuing awards. If payments were made to subrecipients who were suspended or debarred, the payments would be unallowable and the Office may have to repay the grantor.

We confirmed that the subrecipients were not suspended or debarred. Therefore, we are not questioning costs related to these payments.

### ***Recommendation***

We recommend the Office establish and implement adequate internal controls to ensure the program meets federal suspension and debarment requirements.

### ***Agency's Response***

*OSPI concurs with this finding. Steps taken to ensure this does not happen in the future include:*

- *Implementation of a single permanent Child Nutrition Programs Agreement that includes information and attestation to Suspension and Debarment requirements.*
- *Updated internal process for review and approval of Sponsor Program applications.*

### ***Auditor's Remarks***

We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United

States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Title 2, U.S. Code of Federal Regulation, part 180, states in part:

Subpart B – Covered Transactions, Section 180.200 What is a covered transaction?

A covered transactions is a nonprocurement or procurement transactions that is subject to the prohibitions of this part. It may be a transaction at –

- (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
- (b) A lower tier, between a participant in a covered transaction and another person.

Subpart C–Responsibilities of Participants Regarding Transactions Doing Business With Other Persons, Section 180.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-005      The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to properly account for USDA donated foods.**

**Federal Awarding Agency:** United States Department of Agriculture  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 10.553      Child Nutrition Cluster  
10.555  
10.556  
10.559  
**Federal Award Number:** 187WAWA3N1099  
197WAWA3N1099  
**Applicable Compliance Component:** Special Tests and Provisions – Accountability for USDA-Donated Foods  
**Known Questioned Cost Amount:** None

***Background***

The Office of Superintendent of Public Instruction (Office) administers the Child Nutrition Cluster program to: provide healthy and nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and encourage the domestic consumption of nutritious agricultural commodities. The Office spent about \$250 million on eligible child nutrition meals during fiscal year 2019. Most of this amount was passed through to school food authorities (SFA) and other sponsors as subawards.

The United States Department of Agriculture (USDA) makes donated agricultural commodities available for use in operating all child nutrition programs except the Special Milk Program for Children. The Office contracts with four warehouses to perform its storage and distribution duties. Federal regulations require that an appropriate accounting be maintained for USDA-donated foods, that an annual physical inventory is taken and the physical inventory is reconciled with inventory records.

***Description of Condition***

The Office did not have adequate internal controls over and did not comply with requirements to properly account for USDA-donated foods.

The Office performed an annual physical inventory for all four warehouses. However, we found:

- The Office did not perform proper reconciliations between the federal government distribution report, the Office’s internal inventory tracking spreadsheet and the warehouse documentation
- The Office did not perform a proper reconciliation between physical inventory and the Office’s inventory records
- The Office did not maintain supporting documentation for inventory losses

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

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

The Office did not have policies and procedures in place to ensure compliance with the USDA-Donated Foods reconciliation requirement. In addition, the Office's Food Distribution Supervisor was new to the position, and the Office did not have sufficient resources to complete the reconciliation.

### ***Effect of Condition***

We prepared our own reconciliation worksheet for all USDA-Donated Food items using the Office's State Fiscal Year 2018 physical ending inventory records, USDA food order records, distribution records, and the Office's State Fiscal Year 2019 physical ending inventory records. We found that out of 253 food items maintained by the four warehouses, 236 had discrepancies. The Office could not explain the differences because there was no reconciliation documentation or loss documentation.

### ***Recommendations***

We recommend the Office:

- Establish internal policies and procedures about the USDA-Donated Foods reconciliation process
- Establish and implement adequate internal controls to ensure a physical inventory was reconciled with inventory records

### ***Office's Response***

*OSPI concurs with this finding. We will draft and implement internal policies and procedures for the reconciliation process of USDA-Donated Foods. These policies and procedures will include internal controls to ensure reconciliation of inventory records to physical inventory.*

### ***Auditor's Remarks***

We thank the Office for its cooperation and assistance throughout the audit. We will review the status of the Office's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the

terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: ...

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed,

the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 7 U.S. Code of Federal Regulations, part 250, states in part:

Section 250.16 Claims and restitution for donated food losses.

- (a) Distributing agency responsibilities. The distributing agency must ensure that restitution is made for the loss of donated foods, or for the loss or improper use of funds provided for, or obtained as an incident of, the distribution of donated foods. The distributing agency must identify, and seek restitution from, parties responsible for the loss, and implement corrective actions to prevent future losses.
- (b) FNS claim actions. FNS may initiate and pursue claims against the distributing agency or other entities for the loss of donated foods, or for the loss or improper use of funds provided for, or obtained as an incident of, the distribution of donated foods. FNS may also initiate and pursue claims against the distributing agency for failure to take required claim actions against other parties. FNS may, on behalf of the Department, compromise, forgive, suspend, or waive a claim. FNS may, at its option, require assignment to it of any claim arising from the distribution of donated foods.

Section 250.14 Storage and inventory management at the recipient agency level.

- (a) Safe storage and control. Recipient agencies must provide facilities for the storage and control of donated foods that protect against theft, spoilage, damage, or other loss. Accordingly, such storage facilities must maintain

donated foods in sanitary conditions, at the proper temperature and humidity, and with adequate air circulation. Recipient agencies must ensure that storage facilities comply with all Federal, State, or local requirements relative to food safety and health and procedures for responding to a food recall, as applicable, and obtain all required health inspections.



**2019-006      The Department of Health did not have adequate internal controls over and did not comply with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.**

**Federal Awarding Agency:** U.S. Department of Agriculture, Food and Nutrition Service  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)  
**Federal Award Number:** 187WAWA7W1002; 187WAWA7W1003; 187WAWA7W1006; 197WAWAW71003; 197WAWA7W1006  
**Applicable Compliance Component:** Cash Management  
**Known Questioned Cost Amount:** None

***Background***

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). WIC reaches about 113,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant women, new and breastfeeding moms, and children younger than 5, who are at or below 185 percent of the federal poverty level. WIC provides:

- Nutrition ideas and tips on how to eat well and be more active
- Breastfeeding support, such as access to a peer counselor (varies by clinic)
- Health reviews and referrals
- Monthly checks for healthy food, such as fruit, vegetables and milk, and fortified formula

The primary purpose of the Cash Management Improvement Act (CMIA) agreement is to ensure states request federal funds exactly when they are needed and that no interest is gained or lost by either the federal or state governments. The agreement specifies the funding technique the Department should use when requesting federal funds.

For program administrative costs and payments to providers, the Department must draw funds semi-monthly, according to the state payroll schedule. For daily food benefit payments, the Department must draw funds, which are calculated on the amounts net of rebates from manufacturers, daily.

The Department spent about \$119 million in federal grant funds during fiscal year 2019. Of this total, it paid about \$67 million in food benefits to WIC clients, and \$49 million in administrative costs and payments to providers.

In the prior audit, we reported the Department did not have adequate internal controls over and was not compliant with cash management requirements. The prior finding number was 2018-006.

### *Description of Condition*

The Department did not have adequate internal controls over and was not compliant with cash management requirements for the WIC grant.

When the Department drew federal funds, it ensured the amounts drawn were correct based on actual payments. However, the Department did not monitor its federal drawdown frequency to ensure it complied with the CMIA. We determined 24 semi-monthly and 187 daily draws (depending on the available rebate balance) should have occurred during state fiscal year 2019. We randomly selected and examined 16 of the 106 actual daily draws and all 21 semi-monthly draws the Department performed during the year. We found:

- Nine of the 16 daily draws were not drawn in a timely manner, including two that were drawn four days late. Eight of the draws were a combination of two or more separate food benefit payments. The amounts that were drawn late ranged from \$214,394 to \$965,574.
- Fifteen of the 21 semi-monthly draws we examined were not drawn on the state payroll schedule, as required. We also determined that the Department made no semi-monthly draws in July 2018 and August 2018.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

The Department's draw-down pattern did not match the funding technique specified in the CMIA agreement. The Department completed its Corrective Action Plan in response to the prior audit finding in September 2019, which was after our audit period. The Department stated that it did not implement changes to address inadequate internal controls and noncompliance over cash management requirements until after our audit period.

As of September 2019, the Department had revised its CMIA agreement with the Office of Financial Management (OFM) to match its current draw-down pattern.

### *Effect of Condition*

Violations of the CMIA can result in the grantor denying the state payment or credit for the resulting federal interest liability or other sanctions. Delaying federal draw-down requests also results in state funds being advanced longer than necessary and lost interest revenue for the state.

### *Recommendations*

We recommend the Department:

- Improve its internal controls to ensure it performs cash draws following the state's CMIA agreement
- Update policies and procedures to reflect the funding techniques and clearance patterns outlined in the current CMIA agreement

### ***Agency's Response***

*We appreciate the State Auditor's Office (SAO) audit of the Women, Infant and Children grant. DOH is committed to ensuring our programs comply with federal regulations and understand that it is SAO's point of view that we were not in compliance with the federally approved Cash Management Improvement Act (CMIA). The Department was able to get an approved CMIA for fiscal year 2020 that supports how our food draws are performed. We will work on updating our policies to ensure our administrative draws are also performed in line with the most recently approved CMIA.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the

purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Title 31 Code of Federal Regulations part 205.29 What are the State oversight and compliance responsibilities?, states in part:

- (d) If a State repeatedly or deliberately fails to request funds in accordance with the procedures established for its funding techniques, as set forth in § 205.11, § 205.12, or a Treasury-State agreement, we may deny the State payment or credit for the resulting Federal interest liability, notwithstanding any other provision of this part.
- (e) If a State materially fails to comply with this subpart A, we may, in addition to the action described in paragraph (d) of this section, take one or more of the following actions, as appropriate under the circumstances:
  - (1) Deny the reimbursement of all or a part of the State's interest calculation cost claim;
  - (2) Send notification of the non-compliance to the affected Federal Program Agency for appropriate action, including, where appropriate, a determination regarding the impact of non-compliance on program funding;
  - (3) Request a Federal Program Agency or the General Accounting Office to conduct an audit of the State to determine interest owed to the Federal government, and to implement procedures to recover such interest;
  - (4) Initiate a debt collection process to recover claims owed to the United States; or
  - (5) Take other remedies legally available.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: ...

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

The Cash Management Improvement Act (CMIA) of 2019, states in part:

6.2 Description of Funding Techniques, 6.2.1: The following are terms under which standard funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

Actual Clearance, ZBA – ACH

The State shall request funds such that they are deposited by ACH in a State account on the settlement date of payments issued by the State. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the request shall be for the amount of funds that clear the State's account on the settlement date. This funding technique is interest neutral.

6.2.4 The following are terms under which State unique funding techniques shall be implemented for all transfers of funds to which the funding technique is applied in section 6.3.2 of this Agreement.

Modified Direct Program Costs -Admin, Payroll, Payments to Providers (ACH Drawdown on Payroll Cycle)

The State shall request funds for all direct administrative costs and/or payroll costs, and/or payments made to providers and to support providers. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the funds requested shall be based on the amount of expenditures recorded for direct administrative costs and/or payroll costs and/or payments made to providers or to support providers since the last request for funds. The State payroll cycle is payday twice a month. Draws made day before payday are for deposit on payday. The draw request will be made in accordance with cut-off time in Exhibit 1. The amount of the funds requested shall be based on the amount of expenditures recorded for direct administrative costs and/or payroll costs and/or payments made to providers or to support providers since the last request for funds. This funding technique is interest neutral.

6.3.2 Programs

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Recipient: 303---Department of Health---DOH

% of Funds Agency Receives: 66.00

Component: Direct program/benefit payments for food voucher redemption through United Community Bank, which acts as the state's fiscal agent in the program. The state's drawdowns are based on the actual expenditures, which are the previous day's activity. Rebates offset the direct program/benefit payments. This is a zero balance account.

Technique: Actual Clearance, ZBA-ACH

Average Day of Clearance: 0 Days

Recipient: 303---Department of Health---DOH

% of Funds Agency Receives: 34.00

Component: Administrative costs including payroll

Technique: Modified Direct Program Costs -Admin, Payroll, Payments to Providers (ACH Drawdown on Payroll Cycle)

Average Day of Clearance: 0 Days

**2019-007      The Department of Health did not have adequate internal controls over and did not comply with requirements for procurements of goods and services funded by the Special Supplemental Nutrition Program for Women, Infants, and Children program.**

**Federal Awarding Agency:** United States Department of Agriculture, Food and Nutrition Service  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 10.557      Special Supplemental Nutrition Program for Women, Infants and Children (WIC)  
**Federal Award Number:** 187WAWA7W1002; 187WAWA7W1003; 187WAWA7W1006; 197WAWAW71003; 197WAWA7W1006  
**Applicable Compliance Component:** Procurement  
**Known Questioned Cost Amount:** None

***Background***

The Department of Health (Department) operates the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). WIC reaches about 113,000 women and children in over 200 clinics throughout the state and is funded exclusively with federal grants from the U.S. Department of Agriculture.

WIC serves pregnant women, new and breastfeeding moms, and children younger than 5 with a family income at or below 185 percent of the federal poverty level. WIC provides:

- Nutrition ideas and tips on how to eat well and be more active
- Breastfeeding support, such as access to a peer counselor (varies by clinic)
- Health reviews and referrals
- Monthly checks for healthy food, such as fruit, vegetables and milk, and fortified formula

When procuring property or services with federal funds, federal regulations require states to apply the same policies and procedures as procurements made using non-federal funds.

In Washington, state law (Revised Code of Washington Chapter 39 – Public Contracts and Indebtedness) establishes the requirements that state agencies must follow when contracting for goods and services. The Department of Enterprise Services (DES) has also established policies that agencies must follow and is responsible for overseeing agency contracting. These policies address areas such as competitive awarding of contracts, public works projects, emergency purchases, intergovernmental services, and sole-source exceptions.

The Department spent about \$119 million in federal grant funds during fiscal year 2019, and procured four contracts for goods and services with vendors valued at \$7.6 million.



### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with procurement requirements.

We reviewed all four contracts procured during the audit period. For one contract (25 percent), we found the Department did not meet the requirements for awarding it. We determined the Department did not have documented approval from the Department of Enterprise Services (DES) to award the contract to a sole-source vendor, as is required. The Department also did not document the vendor's qualifications to justify a sole-source contract.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The contracted services in question were originally procured through an intergovernmental agreement, as the Department understood the vendor to be a quasi-governmental entity. However, the Department's Contracts Unit later discovered that the vendor is a non-profit organization, and, therefore, subject to competitive contracting requirements.

A Program Manager reviewed the agreement before its execution. However, this review did not detect the noncompliance. The Department detected the noncompliance before our audit and subsequently replaced the contract in question with a subaward.

### *Effect of Condition*

Without following state requirements for awarding contracts, the Department cannot ensure it acquires goods and services at competitive prices and from qualified vendors.

Because this finding reports non-compliance with state law, state law (RCW 43.09.312(1)) requires the Office of Financial Management to submit the Department's response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee, and the relevant fiscal and policy committees of the Senate and House of Representatives.

### *Recommendations*

We recommend the Department:

- Ensure staff responsible for procurement of goods and services are familiar with applicable state laws and policies for awarding and executing contracts
- Review its contract policies and procedures to determine if revisions are needed
- Request approval from DES for all future sole-source contracts awarded with program funds



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

*We appreciate the State Auditor's Office (SAO) audit of the Women, Infant and Children grant. DOH is committed to ensuring our programs comply with federal regulations and state laws. DOH Contracts Unit staff are aware of the laws and policies for procurement under RCW 39.26. The cause of the condition in this instance was a misunderstanding of the entities status as a quasi-governmental entity. The non-profit status of this entity has been clearly communicated to staff in the Contracts Unit and in the program. The Contracts Unit has worked with DOH program(s) to clarify the status of this entity and has since filed several contracts with DES for this same entity as a sole source contract or has determined them to be a subrecipient depending on the scope of work in the contract.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major

programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

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**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 2 Code of Federal Regulations, Section 200.317 – Procurements by states.

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with 200.322 *Procurement of recovered materials* and ensure that every purchase order or other contract includes any clauses required by section 200.326 *Contract provisions*. All other non-Federal entities, including subrecipients of a state, will follow 200.318 *General procurement standards* through 200.326 *Contract provisions*.

Revised Code of Washington RCW 39.26.120 “Competitive solicitation”, states in part:

- (1) Insofar as practicable, all purchases of or contracts for goods and services must be based on a competitive solicitation process. This process may include electronic or web-based solicitations, bids, and signatures.

RCW 39.26.125 “Competitive solicitation – Exceptions,” states in part:

- All contracts must be entered into pursuant to competitive solicitation, except for:
- (2) Sole source contracts that comply with the provisions of RCW 39.26.140

RCW 39.26.140 “Sole source contracts” states in part:

- (1) Agencies must submit sole source contracts to the department and make the contracts available for public inspection not less than ten working days before the proposed starting date of the contract. Agencies must provide documented justification for sole source contracts to the department when the contract is submitted, and must include evidence that the agency posted the contract opportunity at a minimum on the state’s enterprise vendor registration and bid notification system.
- (2) The Department must approve sole source contracts before any such contract becomes binding and before any services may be performed or goods provided under the contract. These requirements shall also apply to all sole source contracts except as otherwise exempted by the director.

- (3) The director may provide an agency an exemption from the requirements of this section for a contract or contracts. Requests for exemptions must be submitted to the director in writing.

**2019-008    The Department of Social and Health Services did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.**

<b>Federal Awarding Agency:</b>	Administration for Children & Families
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	10.561    State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
	93.558    Temporary Assistance for Needy Families (TANF)
	93.566    Refugee and Entrant Assistance-State Administered Programs
	93.778    Medical Assistance Program
<b>Federal Award Number:</b>	201818Q750347; 201818S251447; 201919S251447; 1901WATANF; 1901WATAN3; G-1801WARCMA; G-1901WARCMA; G1801WARSOC; G-1907WARSOC; 1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Department of Social and Health Services (Department) uses the Random Moment Time Sample (RMTS) as a method to allocate costs for its field operations to the state and federally funded programs.

Department staff generally work on multiple programs throughout a workday, which makes maintaining a timesheet difficult and time consuming. RMTS simplifies how the Department allocates the cost of time and effort to state and federal programs. RMTS is a sampling tool that is used to generate statistically valid statewide estimates of various activities performed by Department employees. DSHS uses a system called Barcode to allow staff to work on client cases, document information, generate samples and compile RMTS results.

The Department's use of RMTS is included in its Public Assistance Cost Allocation Plan (PACAP) with the federal grantor. The PACAP is approved annually and outlines the general operating policies and procedures that must be followed by RMTS staff.

For RMTS to properly calculate the percentages of activities performed by Department staff, it must start by identifying a sampling universe that is accurate and complete. The sampling universe lists the eligible worker types to be included and is updated monthly to ensure the sample includes all eligible employees. RMTS coordinators are responsible for updating the list of workers by the 19th of each month. Sampled workers are responsible for the accurate and timely completion of the RMTS sample and must complete samples within two hours of receiving them. RMTS coordinators must complete samples on behalf of the worker in accordance with the PACAP if the

worker is unavailable to do so. At the end of the month, the samples are compiled and results are entered into the cost allocation system.

During fiscal year 2019, the Department used RMTS to allocate about \$113 million to the following federal programs: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Refugee and Entrant Assistance-State Administered Programs, and the Medical Assistance Program.

### *Description of Condition*

The Department did not have adequate internal controls over RMTS and did not comply with some Public Assistance Cost Allocation Plan requirements.

#### *Monthly employee reconciliations for sample universe*

An Operation Analyst is responsible for performing monthly employee reconciliations that compare current staff on the payroll to a list of employees that were included in the previous month's sample population to ensure that the sampling population is complete. We requested supporting records to show that the Operation Analyst completed monthly reconciliations. In four instances, the Department did not have records to show the monthly reconciliations were performed.

#### *Monthly employee updates*

We randomly selected three of the eight monthly reconciliations the Operation Analyst created and forwarded to the RMTS Coordinator to update eligible staff in Barcode. For all three of the selected months, RMTS coordinators did not update the staff list in Barcode.

#### *RMTS coordinators completing samples on behalf of sampled worker*

The PACAP requires RMTS coordinators to respond for sampled workers who are not on the job at the sample time. The coordinator indicates why the sampled worker did not respond for reasons such as:

- Employee development and training
- Vacation and sick leave
- Vacant position
- Employee is working an alternative schedule

We used a statistically valid sampling method to randomly select 58 of the 3,772 RMTS samples that the sampled worker did not respond to and were completed by coordinators. In five instances, the coordinators completed the sample with worker activities rather than stating the reason(s) the worker did not respond. This approach was not allowed by the PACAP.

These conditions were not reported in the prior audit.

## ***Cause of Condition***

### ***Monthly employee reconciliations for sample universe***

Key personnel responsible for the RMTS staff reconciliation were out of the office. The Department did not have policies to indicate who served as back-up staff.

### ***Monthly employee updates***

Department management did not establish a review process to monitor RMTS coordinators updating the staff list in Barcode.

### ***RMTS coordinators completing samples on behalf of sampled worker***

Coordinators were trained to complete samples as if they were the worker, which did not align with the PACAP. The Department did not update its PACAP to reflect its current practices, and these new practices were not approved by the grantor.

## ***Effect of Condition***

The Department's inadequate internal controls affected the integrity of its RMTS sample universe. An erroneous sample could cause the costs charged by the Department for its headquarters and regional operations to federally funded programs to be unallowable according to the PACAP. If unallowable or unsupported costs were charged to federal programs, the grantors could seek repayment for those costs.

## ***Recommendations***

We recommend the Department:

- Ensure monthly staff reconciliations are performed when key personnel are out of the office
- Implement a review process to ensure RMTS coordinators properly update the staff list in Barcode
- Amend its PACAP to reflect current practices and ensure the federal grantor approves the PACAP

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

*The Department concurs with the audit finding.*

*As an immediate fix, the Department will update the Public Assistance Cost Allocation Plan (PACAP) to reflect our current practice that allows the RMTS Coordinators to complete the sample with the worker's activities, and then submit to the federal grantor for approval.*

*The Department will also:*

- *Develop and implement a process to ensure monthly staff reconciliations are performed when key personnel are out of the office.*
- *Implement a standard procedure for use by the RMTS Coordinators when updating the eligible staff list in Barcode.*
- *Conduct a monthly review of a subset of the staff list in Barcode to ensure the RMTS Coordinators update the list appropriately.*

*We anticipate implementing the aforementioned process changes shortly before the end of SFY 2020. Therefore, we acknowledge we are likely to see these same findings for the SFY 2020 Statewide Single Audit.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.430 Compensation-personal services, states in part:

- (5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random



moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports,

including prescribed certifications, or equivalent documentation that support the records as required in this section.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

C-21-1, DSHS RMTS Program Instructions, page 241, states in part:

#### Community Service Office RMTS Coordinators

By the 19th of each month, the RMTS coordinators must review and update the Barcode list of employees to be sampled to ensure all eligible workers are included for the RMTS sampling. Necessary changes to the list of workers must be completed before the samples for that month can be generated.

RMTS coordinators are responsible for administering the sample. If a sample worker is not signed in or does not respond, the RMTS coordinator is notified with a hyperlink to the RMTS sample form. The RMTS Coordinator is responsible for responding for sample workers who are not on the job at the sample time. The RMTS Coordinator must indicate why the sample worker didn't respond by checking in employee development training, on annual/sick leave, vacant position, alternate schedule, or other.

**2019-009      The Department of Social and Health Services did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.**

**Federal Awarding Agency:** Department of Justice  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 16.575      Crime Victims Assistance  
**Federal Award Number:** 2017-VA-GX-0061  
2016-VA-GX-0044  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

## **Background**

The Department of Social and Health Services (Department) assists in administering the Crime Victim Assistance program (program) through an Inter-local Agreement with the Department of Commerce. The Department subawards federal funds to subrecipients that provide assistance to victims of crime in Washington. During state fiscal year 2019, the Department spent \$12.6 million in federal funds for the program and passed through \$12.2 million of that to subrecipients.

Subrecipients submit monthly reimbursement requests to the Department using a standardized form developed in coordination with the Department of Commerce. The form itemizes spending by activity, such as salaries and benefits, contract payments and goods and services. For the payments of goods and services, subrecipients must include a list of vendors and items that were purchased. The Department performs desk monitoring of the subrecipient requests before it issues payments. This monitoring focuses only on reimbursement requests for goods and services.

Federal regulations allow subrecipients to charge certain facility and administrative costs to the grant. These costs can be charged as indirect costs because they are incurred for a common or joint purpose benefiting more than one activity. Indirect cost rates can be charged at:

- An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either:
  - A rate negotiated between the pass-through entity and the subrecipient; or
  - A de minimis indirect cost rate of 10 percent of Modified Total Direct Costs (MTDC), which may be used only if the subrecipient has never received a negotiated indirect cost rate or the Department didn't previously negotiate a rate with the subrecipient.

The Department must clearly identify the indirect cost rate in the subaward. If the de minimis rate is chosen, the Department is responsible for knowing whether subrecipients are eligible to use it.

## **Description of Condition**

The Department did not have adequate internal controls over and did not fully comply with subrecipient monitoring requirements. Specifically, the Department did not adequately review supporting documentation during its payment review and approval process for the program.

We randomly selected and reviewed supporting documentation for 57 of the 895 subrecipient payments made during the audit period to identify the percentage of federal funds the subrecipients received that were reviewed by the Department.

The Department reviewed \$480,019 (27 percent) out of \$1,805,419 of total payments reviewed. The monitoring the Department performed for these payments included only reimbursement requests for goods and services. Other activities, such as salaries and benefits and contracted services, were not subject to supporting documentation review during the invoice approval process. In our judgment, this level of monitoring was insufficient to ensure the Department could reasonably detect unallowable or unsupported costs by the subrecipients.

Additionally, during the subaward process, the Department did not inquire if subrecipients had previously been authorized a Federally Negotiated Indirect Rate (FNIR).

We randomly selected and reviewed seven of 19 subawards issued by the Department during our audit period. We found the subawards did not clearly identify that the indirect cost rate subrecipients were authorized to request for reimbursement.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

### **Cause of Condition**

The Department selected goods and services for review of supporting documentation because it believes this expense category has the highest likelihood for unallowable costs. The Department believed that its monitoring practices were sufficient to detect unallowable or unsupported costs by subrecipients.

During the subaward process, the Department did not know it should verify if subrecipients had negotiated an FNIR. Management did not establish a process in which they identify whether the subrecipient had ever had a FNIR, which would allow the Department to ensure subawards were compliant.

### **Effect of Condition**

By not adequately monitoring its subrecipients, the Department is at a higher risk of not detecting or preventing unallowable activities and costs from being charged to the federal grant.

### **Recommendations**

We recommend the Department:

- Expand its fiscal monitoring of subrecipients to include reimbursement requests for all activities and not just those for goods and services

- Establish a process to inquire whether subrecipients have ever negotiated an FNIR with the federal government before allowing a subrecipient to request reimbursement using the de minimis indirect cost rate of 10 percent of MTDC
- Establish a secondary review process to ensure federal requirements are met before issuing subawards
- Ensure that subawards clearly identify indirect cost rates

## **Department's Response**

*The Department concurs with the overall findings of the SAO.*

### ***Review of Supporting Documentation for Reimbursement Requests***

*The Department will work with the Department of Commerce to ensure a coordinated and unified approach for expanding the review of supporting documentation to include reimbursement requests for all activities, and not just those for goods and services. We anticipate the aforementioned process change and the associated additional requirements for subrecipients will be effective for contracts awarded in SFY 2021. Therefore, we acknowledge we are likely to see these same findings for SFY 2020.*

*While the Department concurs that additional review of supporting documentation will help ensure all costs are supported, it is important to note that the Department also reviews supporting documentation of invoice expenses in desk monitoring of medium risk contracts and as part of on-site monitoring.*

### ***Documentation of Federally Negotiated Indirect Rate***

*The Department acknowledges there was an oversight in documentation for all subrecipients on whether they have ever had a Federally Negotiated Indirect Rate (FNIR). We will modify our funding application form to inquire whether the subrecipient has ever negotiated a FNIR with the federal government. The Department does verify the FNIR when the subrecipient self-discloses. Out of 50 subrecipients, only three have a FNIR. We believe the risk is low that we would be unaware of a subrecipients FNIR and would subsequently allow the subrecipient to request reimbursement using the de minimis indirect cost rate of 10 percent of Modified Total Direct Costs (MTDC). The Department will also modify the contract templates to clearly identify the indirect cost rate in the subaward.*

## **Auditor's Concluding Remarks**

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

## Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
  - 1. Federal Award Identification
    - xiii. Indirect cost rate for the Federal award (including if the de minimis rate is charged per 200.414 Indirect (F&A) costs).
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award



provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
  - (1) Providing subrecipients with training and technical assistance on program-related matters; and
  - (2) Performing on-site reviews of the subrecipient's program operations;
  - (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

2 CFR 200.414 - Indirect (F&A) costs states in part:

- (f) Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 - States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in § 200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.



- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-010      The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.**

<b>Federal Awarding Agency:</b>	Department of Justice
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	16.575      Crime Victims Assistance
<b>Federal Award Number:</b>	2017-VA-GX-0061 2016-VA-GX-0044 2015-VA-GX-0031
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Department of Commerce (Department) administers the Crime Victims Assistance program (program). The Department subawards federal funds to subrecipients that assist victims of crime in Washington. During state fiscal year 2019, the Department spent \$50.6 million in federal funds for the program and passed through \$47.7 million of that to subrecipients.

Subrecipients submit monthly reimbursement requests to the Department, using a standardized form. The form itemizes spending by activity, such as salaries and benefits, contract payments and goods and services. For the payments of goods and services, subrecipients must include a list of vendors and items that were purchased. The Department performs desk monitoring of the subrecipient requests before it issues payments. This monitoring focuses only on reimbursement requests for goods and services.

Federal regulations allow subrecipients to charge certain facility and administrative costs to the grant. These costs can be charged as indirect costs because they are incurred for a common or joint purpose benefiting more than one activity. Indirect cost rates can be charged at:

- An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either:
  - A rate negotiated between the pass-through entity and the subrecipient; or
  - A de minimis indirect cost rate of 10 percent of Modified Total Direct Costs (MTDC), which may only be used if the subrecipient has never received a negotiated indirect cost rate or the Department didn't previously negotiate a rate with the subrecipient.

The Department must identify if subrecipients had previously negotiated a rate with the federal government. If the de minimis rate is chosen, the Department is responsible for knowing whether subrecipients are eligible to use it.

***Description of Condition***

The Department did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the program.

We randomly selected and reviewed the Department's monitoring of 52 subawards issued during the audit period to identify the percentage of federal funds the subrecipients received that were reviewed by the Department.

The Department reviewed \$363,867 (19.3 percent) out of \$1,889,155 of total payments made for the 52 subawards. The monitoring the Department performed included only reimbursement requests for goods and services. There was no documented evidence to show other activities, such as salaries and benefits and contracted services, were subject to fiscal monitoring. The Department said these activities are reviewed informally; however, staff are not required to retain the documentation showing what they reviewed. In our judgment, this level of monitoring was insufficient to ensure the Department could reasonably detect unallowable or unsupported costs by the subrecipients.

Additionally, during the subaward process, the Department did not inquire if subrecipients had previously been authorized a Federally Negotiated Indirect Rate (FNIR).

During review of the 52 randomly selected subawards issued by the Department, we found the Department allowed subrecipients to choose either a federally negotiated indirect rate or a de minimis rate without first verifying if the subrecipients were eligible for the de minimis rate.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

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

The Department believed that its monitoring practices were sufficient to detect unallowable or unsupported costs by subrecipients. The Department previously performed more in-depth fiscal monitoring, but discontinued that process after a determination was made that it was more effective and sustainable to focus on the portion of Goods and Services.

During the Subaward process, the Department was not aware it should verify if subrecipients had ever negotiated an Indirect Cost Rate with the Federal Government. Management did not establish a process in which they identify the federal subaward requirements that would allow the Department to ensure subawards were compliant.

### ***Effect of Condition***

By not adequately monitoring its subrecipients, the Department is at a higher risk of not detecting or preventing unallowable activities and costs from being charged to the federal grant.

### ***Recommendations***

We recommend the Department:

- Expand its fiscal monitoring of subrecipients to include reimbursement requests for all activities and not just those for goods and services
- Require program monitors to retain documentation to evidence what they review during fiscal monitoring
- Establish a process to inquire whether subrecipients have ever negotiated a FNIR with the federal government before allowing a subrecipient to request reimbursement using the de minimis indirect cost rate of 10 percent of MTDC

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

*The Department concurs with this finding. The Department has established procedures to expand fiscal monitoring of its subrecipients during reimbursement, including requiring back up documentation for salaries, benefits, and subcontracted services. The procedure requires the submission of backup documentation for Salaries, Benefits, and Contracted Services that clearly documents the exact costs, calculations, percentage charged to the grant and allocation method if costs are allocated across multiple fund sources, and should clearly link the actual expenditures to the amounts requested for reimbursement on the invoice.*

*The Department also has an established procedure for documenting fiscal monitoring that occurs during in-person site visits. Fiscal monitoring during site visits will include the review of a sample of real-time timesheets to verify and confirm that salary/benefit charges on a previously submitted invoice have appropriate backup documentation on file. Staff will also document any fiscal policies and procedures reviewed and any other fiscal monitoring activities will be clearly documented in the site visit report.*

*The Department has updated the certification forms for MTDC eligibility to inquire whether subrecipients have ever negotiated an FNIR with the federal government.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should

be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
  - (1) Providing subrecipients with training and technical assistance on program-related matters; and
  - (2) Performing on-site reviews of the subrecipient's program operations;
  - (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

2 CFR 200.414 - Indirect (F&A) costs states in part:

- (g) Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 - States and Local Government and Indian Tribe Indirect Cost

Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in § 200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  - (6) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.



**2019-011**      **The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income Home Energy Assistance program received required audits and findings were followed up on timely.**

<b>Federal Awarding Agency:</b>	Department of Justice and Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Numbers and Titles:</b>	16.575      Crime Victim Assistance 93.568      Low-Income Home Energy Assistance
<b>Federal Award Numbers:</b>	2017-VA-GX-0061 2016-VA-GX-0044 2015-VA-GX-0031 G-1901 WALIEA G-18B1 WALIEA G-1801 WALIE4 G-17B1 WALIEA G-1701WALIE4
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

The Department of Commerce (Department) administers the Crime Victim Assistance and Low-Income Home Energy Assistance programs. Both programs subawards federal funds to subrecipients that provide assistance in Washington. During state fiscal year 2019, the Department spent \$50.6 million in federal funds for the Crime Victim Assistance program and \$55.8 million in federal funds for the Low-Income Home Energy Assistance program. Of these amounts, the Department passed through \$47.7 million to subrecipients of the Crime Victims Assistance Program and \$53.4 million to subrecipients of the Low-Income Home Energy Assistance Program.

Federal regulations require the Department to monitor the activities of its subrecipients. This includes ensuring that its subrecipients that spend \$750,000 or more in federal funds during a fiscal year obtain a single audit.

The audits must be completed and submitted to the Federal Audit Clearinghouse no later than nine months after the end of the subrecipient's fiscal year. The Department must also follow up on any audit findings a subrecipient receives that might affect the federal program and must issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

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

The Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income

Home Energy Assistance program received required audits, findings were followed up on and management decisions were issued timely.

During the subaward process, subrecipients are notified of the requirement to submit all single audit reports on time once completed. However, management did not adequately track when audits were due, nor confirm that they were either performed or not required.

We randomly selected and examined records for 20 out of the program's 186 subrecipients. We found seven instances (35 percent) when the Department did not monitor subrecipients to ensure their compliance with requirements for obtaining single audits. Of these seven, one subrecipient received an audit finding related to the programs. The Department was required to issue a management decision to the subrecipient for this finding and ensure the issue was corrected. Because it was not aware of this finding, the Department did not perform the required follow-up.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Department has written policies that describe the process it uses to verify whether each subrecipient required a single audit, monitor audit results, or ensure it issued timely management decisions when required. However, the Department did not follow these policies.

### *Effect of Condition*

Without reviewing subrecipient audits in a timely manner, the Department cannot ensure it complies with federal law and issues management decisions timely. Not reviewing audit reports and issuing management decisions in a timely manner also affects the subrecipients, which might be relying on that management decision to determine how they will address the issues identified in their finding.

### *Recommendations*

We recommend the Department:

- Adhere to established policies related to subrecipient audit monitoring
- Follow up on the subrecipient audit finding identified during the audit and issue a management decision, as required by federal regulation

### *Department's Response*

*The Department concurs with this finding. The Department has established policies and procedures in place related to subrecipient audit monitoring. Per current policy and procedure, reports are generated using our Contract Management System (CMS) to ensure required audits were received. These reports are to be ran quarterly. Our current process is to run a report for contractors who did not submit audits or verification forms if an audit is not required after the*

*required nine (9) months in an effort to collect the required information. The Department will change its policy and procedure to run the report prior to the nine (9) month requirement as a reminder and to ensure we collect the required documents within the required timeframe.*

*The Department has an established guideline in place related to following up on subrecipient audit findings. When inputting audits into CMS, the audit finding field is checked “yes” or “no” based on the information in the single audits received. Per the guideline, quarterly, a Findings Report is ran based on the audit finding field checked “yes” and worked to ensure audit findings identified are followed-up and captured into CMS. The Department will work with staff inputting audits into CMS to ensure audits are properly read and CMS fields are correctly checked to ensure the CMS reports are accurate and we can follow-up on subrecipient audit findings as required by federal regulation.*

### ***Auditor’s Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department’s corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.521 Management Decisions, states in part:

- (c) Pass-through entity. As provided in § 200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

(d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Department of Commerce, PRO 08-02-00

Ensuring Receipt of Federally Required Audits

Monitoring Grantee Audit Requirements

**2019-012      The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure Workforce Innovation and Opportunity Act program funds were being used for allowable purposes.**

**Federal Awarding Agency:** U.S. Department of Labor  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 17.258 Workforce Innovation and Opportunity Act  
17.259  
17.278  
**Federal Award Number:** AA-28350-16-55-A-53,AA-30772-17-55-A-53,  
AA-32219-18-55-A-53,AA-33263-19-55-A-53  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

***Background***

The Employment Security Department (Department) receives federal funding for the Workforce Innovation Opportunity Act (WIOA) programs from the Department of Labor (DOL). The WIOA authorizes formula grant programs to the state to help job seekers access employment, education, training, and support services to succeed in the labor market. The WIOA programs provide employment and training for adults, dislocated workers, youth, and Wagner-Peyser Act employment services administered by DOL. The state subawards a large portion of the federal funds it receives to 12 Workforce Development Councils (WDCs) that provide employment assistance to individuals. The Department spent \$63.3 million in federal funds for the WIOA cluster in state fiscal year 2019. Of that amount, it paid about \$60.5 million to the WDCs.

When WDC's request funds from the Department they submit high-level supporting documentation, such as reports from an accounting system. To ensure federal funds are used only for allowable purposes and meet cost principles, the Department performs onsite monitoring of each WDC every year. The onsite monitoring includes the review of a selection of reimbursement requests submitted by the WDC since the last onsite monitoring visit. In the time between monitoring visits, each WDC spends federal funds from multiple subawards. The Department performs risk assessments of the subrecipient before and during its on-site visits.

***Description of Condition***

The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure program funds were being used for allowable purposes.

When determining what expenditures to review during an onsite monitoring visit, the Department does not consider all expenditures disbursed between the prior and current onsite monitoring visits. Instead, the Department limits its review to expenditures for the most current, active program year. We used a non-statistical sampling method and randomly selected five of the total population of 12 WDC onsite monitoring visits for review. We analyzed the total expenditures reimbursed by the Department between the prior and current monitoring visits and found the five selected WDCs spent \$32.7 million, while the Department considered only \$12.3 million (38 percent) in its testing population. The Department therefore excluded 62 percent of expenditures from its review population.



We also analyzed the percentage of expenditures tested by the monitoring team in comparison with the total expenditures reimbursed. We found the Department reviewed only 8 percent of total expenditures disbursed between the prior and current on-site visits.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

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

The Department believed that its monitoring practices, contract close-out process and subrecipient audits were sufficient to detect unallowable or unsupported costs by the WDCs. However, the subrecipient monitoring process was not designed to compensate for the lack of supporting documentation submitted with reimbursement requests by the WDC's when requesting payment.

### ***Effect of Condition***

Without establishing adequate internal controls, the Department cannot ensure federal funds are being used for allowable purposes. In our judgment, excluding almost two-thirds of payments to subrecipients from its review, and examining supporting documentation for only 8 percent of expenditures, does not provide the Department with reasonable assurance that grant funds were spent in accordance with grant requirements and federal regulations.

### ***Recommendation***

We recommend the Department:

- Strengthen its monitoring of subrecipients to ensure federal funds are used only for allowable purposes
- Ensure that all funds paid to subrecipients are subject to its fiscal oversight and not just those paid during the current and active program year

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

*We respectfully disagree with the finding. We believe the Department has complied fully with federal requirements regarding oversight of funds provided to WDCs as part of WIOA implementation in Washington State. (See 2 cfr § 200.331)*

*The Department believes that the auditor is not applying correct standards in its review of subrecipient monitoring of WIOA funds. Federal law, regulations and guidance require subrecipient monitoring to occur on an annual basis to ensure proper internal controls exist across pass through entities, subrecipients and contractors expending federal funds.*

*As part of the mandatory annual onsite review of WDCs and consistent with federal requirements, ESD has developed a risk-based assessment process to ensure that funds are expended for allowable purposes. This risk structure/framework begins prior to the onsite review and continues throughout the review and includes the following elements:*



- *ESD funds management staff review documentation submitted when WDCs submit a request for cash to ESD. This review is conducted on an ongoing basis by ESD fiscal staff and informs the initial risk analysis developed for each WDC prior to the onsite review.*
- *Subrecipient monitoring staff carefully assess each WDC's capacity to handle its funds and deliver services based on a careful review of each WDC's spending documentation. This occurs prior to each on site visit and shapes the scope of each review.*
- *Subrecipient monitoring staff perform an onsite review of recent draw requests by WDCs. They review the expenditures that make up that draw request for allowability, allocability and reasonableness by reviewing supporting documentation, including down to the receipt level. If any issues are identified during this phase of the review, the number of cash draws sampled is expanded.*
- *Subrecipient monitoring staff perform an onsite review of internal controls policies, processes and procedures to ensure proper checks and balances exist at the WDC level. If any gap or weakness is identified, WDCs are required to develop a corrective action plan to remedy any identified deficiency. Subrecipient monitoring staff engage the WDCs to provide continuous oversight ensuring the corrective action plan is fully implemented.*
- *Subrecipient monitoring staff perform an onsite review of supportive services provided to participants by WDCs or their subrecipient/service providers. If any issues are identified during this phase of the review, the number of supportive services sampled are expanded including into contracts from a previous period. In addition, corrective action plans to ensure proper oversight of supportive services may also be required. Subrecipient monitoring staff engage the WDCs to provide continuous oversight ensuring the corrective action plan is fully implemented.*
- *Subrecipient monitoring staff perform an onsite review of participant files to ensure that individuals receiving services are eligible and are being reported correctly to DOL. If any recurrent issues are identified during this phase of the review, the number of participant files reviewed is expanded. These reviews may include expenditures into previous-year contracts when participants receive services over multiple contract years. In addition, corrective action plans to ensure proper oversight of eligibility determination may also be required. Subrecipient monitoring staff engage the WDCs to provide continuous oversight ensuring the corrective action plan is fully implemented.*
- *Every WDC receives an audit each year. These audits include expenses from a previous time period. The audits are conducted by independent third-party auditors, often SAO itself. In most cases, the audit of the WDC will include an audit of WIOA programs. Any finding or issue identified during these audits are followed up on by Subrecipient monitoring staff when they are onsite.*
- *Subrecipient monitoring staff reviews WDC monitoring of their subrecipients. ESD subrecipient monitoring staff review the tools, working papers and documentation of each WDC's monitoring of their subrecipients to ensure proper use and expenditures of funds. This review is conducted by subrecipient monitoring staff while on site.*

*If during its onsite review, ESD identifies questioned costs across any program and believes it shows a lack of internal controls on the part of a WDC, ESD will review additional expenditures, including previous periods and closed contracts.*

*Neither the review of supportive services nor eligibility was included in the SAO's review when they determined that 8% of the funds under contract were reviewed. When ESD asked SAO for what an acceptable percentage of funds ESD should review, SAO did not have an answer.*

*Further, when ESD asked the auditor for what the compliance requirement was that ESD was not meeting by using this risk-based approach to subrecipient monitoring, the auditor said there was no written standard or requirement, it was just their opinion.*

*ESD appreciates the thoroughness of the review by the SAO, but believes that it is complying with all federal requirements regarding monitoring of subrecipients to ensure funds expended in Washington State are spent for eligible participants on allowable services.*

### ***Auditor's Remarks***

Federal requirements for financial management require the Department to ensure that federal funds they provide to subrecipients are used only for allowable purposes and in compliance with Federal statutes, regulations, and the terms and conditions of the sub award. The Department does not require subrecipients to demonstrate this in the documentation they submit when asking for reimbursement, so the review performed by ESD funds management staff cannot meet these requirements. The Department must therefore rely on its subrecipient monitoring activities to do so.

During the audit, we communicated to management that the programmatic and eligibility monitoring they perform of their subrecipients met federal requirements, which is why this finding only relates to fiscal monitoring. However, the 62 percent of expenditures that were excluded from review were funds that would not be considered for review during a future subrecipient monitoring visit. In our opinion, excluding this significant percentage of federal funds from ever being reviewed by the Department is not adequate to ensure the federal funds they paid to subrecipients were spent only for allowable purposes and complied with federal regulations.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.302 Financial management, states in part:

- (a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such

funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 200.450 Lobbying.

- (b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records):

- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the sub award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub award; and that sub award performance goals are achieved.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in

internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**2019-013      The Department did not have adequate internal controls to ensure management decisions related to Workforce Innovation and Opportunity Act findings were issued in a timely manner.**

**Federal Awarding Agency:** U.S. Department of Labor  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 17.258      Workforce Innovation and Opportunity  
17.259      Act Cluster  
17.278  
**Federal Award Number:** AA-28350-16-55-A-53, AA-30772-17-55-A-53,  
AA-32219-18-55-A-53, AA-33263-19-55-A-53  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

***Background***

The Employment Security Department (Department) receives federal funding for the Workforce Innovation and Opportunity Act (WIOA) programs from the Department of Labor (DOL). The WIOA authorizes formula grant programs to states to help job seekers access employment, education, training and support services to succeed in the labor market. The WIOA programs provide employment and training programs for adults, dislocated workers, and youth, and Wagner-Peyser Act employment services administered by the DOL. The State subawards a large portion of the federal funds it receives to 12 Workforce Development Councils (WDCs) that provide employment assistance to people throughout Washington. The Department spent \$63.3 million in federal funds for the WIOA cluster in state fiscal year 2019. Of that amount, it paid about \$60.5 million to the WDCs.

Federal regulations (2 CFR 200.331) require the Department to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend \$750,000 or more in federal awards during a fiscal year obtain a single audit.

Typically, pass-through entities must follow up and ensure its subrecipients take timely action on all deficiencies detected through audits, and must issue a management decision for audit findings within six months of the audit report being issued. For DOL sponsored programs, pass-through entities must issue management decisions within 12 months. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

***Description of Condition***

The Department did not have adequate internal controls to ensure management decisions related to findings were issued in a timely manner.

The Department established a program policy (5255) in March 2016 that states management decisions related to audit findings be issued within six months. The policy does not agree with the federal requirement that decisions be made within twelve months.

The Department has a team of employees that monitors its WIOA subrecipients. The team completed onsite monitoring at all WDCs during the fiscal year, which included a review of each WDC's most recently submitted uniform guidance audit. However, the team was not aware of either the Department's policy or the federal requirements.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

We determined all 12 WDCs received an audit and found that the Department reviewed all subrecipient audit reports within 12 months of the reports being issued. Therefore, we determined the Department was materially compliant with the federal requirement.

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

Although the Department had a written process to monitor and verify if subrecipients received audits, it did not include instructions related to when management decisions needed to be issued.

### ***Effect of Condition***

Without reviewing subrecipient audits in a timely manner, the Department cannot ensure it complies with federal law and issues management decisions timely. Not reviewing audit reports and issuing management decisions in a timely manner also affects the subrecipients, which might be relying on that management decision to determine how they will address the issues identified in their finding.

### ***Recommendations***

We recommend the Department:

- Update its policies related to subrecipient monitoring to ensure it aligns with federal regulations
- Inform sub-monitoring staff of the specific federal requirement that management decisions be made every 12 months.

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

*The Department appreciates the auditor's review and agrees with the recommendations. The Department will revise its policy to be consistent with federal requirements. Subrecipient monitoring staff have been informed that management decisions must be made every 12 months. In addition to the auditor's recommendations, the Department will update our internal process regarding how to document and communicate our management decisions.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.



### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Section 200.521 Management Decisions, states in part:

- (c) Pass-through entity. As provided in § 200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Section 200.2900.21 Management decision, states:

In the DOL, ordinarily, a management decision is issued within six months of receipt of an audit from the audit liaison of the Office of the Inspector General and is extended an additional six months when the audit contains a finding involving a subrecipient of the pass-through entity being audited. The pass-through entity responsible for issuing a management decision must do so within twelve months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and should begin corrective action no later than upon receipt of the audit report. (See 2 CFR 200.521(d)).



The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Employment Security Department Workforce Innovation and Opportunity Act Policy Number 5255, states in part:

b. Audit Resolution

Management decisions to resolve audit findings must:

- i. Be issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC)
- ii. Clearly state whether or not the audit finding is sustained, the reasons for the decision, and the auditee's expected actions.

If the auditee has not completed the corrective action at the time the decision is made, a timetable for follow-up must be given. Management decisions must describe any appeal process available to the auditee.

**2019-014      The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.**

<b>Federal Awarding Agency:</b>	U.S. Department of Transportation
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	Highway Planning and Construction Cluster
	20.205 Highway Planning and Construction
	20.219 Recreational Trails Program
	20.224 Federal Lands Access Program
<b>Federal Award Number:</b>	Too numerous to list. All approved subaward projects under the Federal Highway Administration Stewardship and Oversight Agreement.
<b>Applicable Compliance Component:</b>	Suspension and Debarment
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Washington State Department of Transportation (Department), Local Programs Office administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for various highway construction projects. The Department spent about \$673 million on highway projects during fiscal year 2019. Of that amount, about \$236 million was passed through to local agencies as subawards.

Federal regulations prohibit grantees from making subawards under covered transactions to lower-tier parties that are suspended or debarred from doing business with the federal government. The U.S. Department of Transportation (USDOT) specifically requires its grantees to verify all subrecipients of federal funds are not suspended or debarred or otherwise excluded from participating in federal programs by adding a clause or condition to their agreements.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with Suspension and Debarment requirements. The prior finding number was 2018-011.

***Description of Condition***

We found the Department did not have adequate internal controls in place to verify that subrecipients were not suspended or debarred. Until March 2019, the Department did not have a clause or condition in its written agreements with local agencies, as required by USDOT.

We consider this internal control deficiency to be a material weakness.

We performed statistical sampling procedures to select 55 out of 414 subawards issued by the Department during the audit period to determine if the Department verified the subrecipients were not suspended or debarred. We found 11 subawards (20 percent) for which the Department could not provide records showing that it confirmed the suspension or debarment status of the subrecipients.

We subsequently verified the subrecipients were not suspended or debarred, therefore we are not questioning the costs.

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

The Department had previously included a reference to federal requirements in its local agency boilerplate agreement. However, the language was not sufficient to meet federal requirements. The Department's Corrective Action Plan developed in response to the prior audit finding included updating its local agency agreement template to include a suspension and debarment clause for subrecipients to certify. However, this change was not scheduled to become effective until after the audit period ended.

The Department also said that the Local Programs Division conducted System of Award Management (SAM) database searches of all subrecipients with active subawards before the audit period. However, during our testing, the Department did not have records to show all subrecipients received a SAM database check.

### ***Effect of Condition***

Without a clause or condition in its agreements, the Department risks not identifying a suspended or debarred subrecipient before issuing it an award. If payments were made to subrecipients who were suspended or debarred, the payments would be unallowable and the Department may be required to repay the grantor.

### ***Recommendation***

We recommend the Department establish and implement adequate internal controls to ensure a suspension and debarment clause or condition is included in all local agency agreements.

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

*We appreciate the State Auditor's Office (SAO) audit of the Federal Highway Program. The Washington State Department of Transportation (WSDOT) is committed to ensuring our programs comply with federal regulations. We understand SAO's point of view that the Department did not have adequate contract language in place to verify that subrecipients were not suspended or debarred. After receipt of the FY 2018 Suspension and Debarment Single Audit finding in March of 2019, the Local Programs Division updated the Local Agency Guidelines (LAG). The LAG update released in May 2019 included an update to the contract provisions for federal-aid construction contracts requiring subrecipient certification regarding debarment and suspension, as part of the award process. However, because the FY 2018 finding and subsequent corrective actions took place so late in FY 2019, full suspension and debarment compliance was not achieved during FY 2019. The FY 2020 Single Audit should find that all new awards contain the required suspension and debarment contract language.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 2, U.S. Code of Federal Regulation, part 1200.332, Department of Transportation - Nonprocurement Suspension and Debarment: states in part:

What methods must I use to pass requirements down to participants at lower tiers with whom I intend to do business?

You as a participant must include a term or condition in lower-tier transactions requiring lower tier participants to comply with subpart C of the OMB guidance in 2 CFR part 180, as supplemented by this subpart.

Title 2, U.S. Code of Federal Regulation, part 180, states in part:

**Subpart B – Covered Transactions**

A covered transactions is a nonprocurement or procurement transactions that is subject to the prohibitions of this part. It may be a transaction at –

- (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
- (b) A lower tier, between a participant in a covered transaction and another person.

**Subpart C – Responsibilities of Participants Regarding Transactions Doing Business With Other Persons**

§180.300 What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person

**2019-015      The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Construction cluster.**

<b>Federal Awarding Agency:</b>	U.S. Department of Transportation
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	20.205      Highway Planning and Construction 20.219      Recreational Trails Program 20.224      Federal Lands Access Program
<b>Federal Award Number:</b>	Too numerous to list. All approved subaward projects under the Federal Highway Administration Stewardship and Oversight Agreement.
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

The Washington State Department of Transportation (Department), Local Programs Division administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for various highway construction projects. The Department spent about \$673 million on highway projects during fiscal year 2019. Of that amount, it passed through about \$236 million to local agencies as subawards.

Federal regulations require the Department to monitor the activities of its subrecipients to ensure subawards are used for authorized purposes and that activities comply with terms and conditions of the subaward and achieve performance goals. Specifically, monitoring efforts must include reviewing financial and programmatic reports required by the pass-through entity.

The Division maintains its own requirements for subawards of federal funds, published in the 2019 Local Agency Guidelines (LAG) Manual. This Manual outlines additional requirements imposed on all subrecipients by the Department, including the requirement to undergo project audits, documentation reviews during the project period of performance, as well as receive project management reviews (PMR) upon closure of each federally funded construction project. While the Manual does not provide timeframes for when these reviews should occur, the U.S. Department of Transportation, Federal Highway Administration (FHWA) stipulates in its Stewardship and Oversight Agreement (Agreement) with the State DOT that every PMR occur at least every three years for each subrecipient.

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

The Department did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients of the Highway Planning and Construction cluster.

The Division did not ensure it performed PMRs of subrecipients every three years, as required by the Agreement. We randomly selected and reviewed five of the 11 PMRs performed by the



Division during the audit period and found three (60 percent) were not performed within three years of the previous review, as required.

We consider these internal control deficiencies to constitute a material weakness.

This condition was not reported in the prior audit.

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

The Department believed that conducting onsite reviews during the closeout phase of each project was sufficient to provide reasonable assurance of the subrecipient's use of the federal subaward. The Department asserted that other monitoring activities, such as documentation reviews by its Region Local Programs Engineers, occurred during the audit period, but the results of reviews were not consistently documented or communicated to management.

The Department maintains that FHWA's approval of the LAG Manual supports its current subrecipient monitoring practices, and that based on this approval, no additional subrecipient monitoring procedures are required.

### ***Effect of Condition***

Without establishing adequate internal controls, the Department cannot reasonably ensure federal funds are being used for allowable purposes. Without monitoring each subrecipient's use of federal grant funds during the period of performance of the subaward, the Department does not have reasonable assurance that the subrecipient is using federal funds for activities that comply with the terms and conditions of the subaward.

In addition, failure to monitor each subrecipient's use of federal grant funds violates the Agreement and could result in the termination or suspension of the federal grant award.

### ***Recommendations***

We recommend the Department:

- Update its policies and procedures for subrecipient monitoring to comply with all FHWA regulations
- Improve internal controls to ensure project management reviews are completed for every active subrecipient at least every three years, as required under the Agreement
- Consider implementing additional monitoring tools to give the Department reasonable assurance that the subrecipient is using federal funds in accordance with subaward terms and conditions

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

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations.*

*Our Local Programs Division schedules Project Management Reviews (PMR) every three years as directed in the Federal Highway Administration (FHWA) Stewardship and Oversight Agreement and Local Agency Guidelines (LAG) Manual; however, standard practice is to not complete those reviews until such time as the project is substantially complete or complete. Additionally, on occasion the PMR can be delayed as WSDOT works with the local agency to gain additional information or gather further documentation. In light of these standard practices, Local Programs believed they were in compliance with the requirements, but will now work with FHWA to seek modification of the Stewardship and Oversight Agreement and LAG Manual to ensure compliance. Once modified, Local Programs will communicate changes to the appropriate staff and stakeholders. Until changes take effect in the Stewardship and Oversight Agreement, our Local Programs Division will attempt to complete the applicable portions of PMR's within the currently required three year cycle.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the sub award is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the sub award; and that

sub award performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action of all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing

control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

Title 23 U.S. Code of Federal Regulations, *Chapter 1 – Federal-Aid Highways, Section 106: Project approval and oversight*, states in part:

(g) Oversight Program. –

(4) Responsibility of the States. –

(A) In general. The States shall be responsible for determining that subrecipients of Federal funds under this title have

(i) adequate project delivery systems for projects approved under this section; and

(ii) sufficient accounting controls to properly manage such Federal funds.

Title 23 U.S. Code of Federal Regulations Part 635, *Construction and Maintenance – Contract Procedures* states in part:

635.102 – Definitions.

As used in this subpart:

*Local public agency* means any city, county, township, municipality, or other political subdivision that may be empowered to cooperate with the State transportation department in highway matters.

*State transportation department (STD)* means that department, commission, board, or official of any State charged by its laws with the responsibility for

highway construction. The term “State” should be considered equivalent to “State transportation department” if the context so implies.

635.105 – Supervising agency.

- (a) The STD has responsibility for the construction of all Federal-aid projects, and is not relieved of such responsibility by authorizing performance of the work by a local public agency or other Federal agency. The STD shall be responsible for insuring that such projects receive adequate supervision and inspection to insure that projects are completed in conformance with approved plans and specifications.

The U.S. Department of Transportation *Stewardship and Oversight Agreement On Project Assumption and Program Oversight By and Between the Federal Highway Administration (Washington Division) and the Washington State Department of Transportation*, states in part:

Section XI. State and Local Public Agency Oversight Requirements and Reporting Requirements

B. State DOT Oversight of Locally Administered Projects

WSDOT provides oversight through their Local Programs Division. This dedicated staff manages the program by providing guidance, training, and technical assistance to the Local Agencies.

By agreeing to accept federal aid funds, the local agency understands its roles and responsibilities with respect to carrying out the federal aid program. WSDOT is permitted to delegate certain activities, under its supervision, to local agencies (cities, counties, private organizations, or other state agencies) under federal regulation 23 CFR 1.11 and 635.105; however, WSDOT accepts responsibility for delegated activities.

The Local Agency Guidelines (LAG) manual describes the processes, documents, and approvals necessary to administer federal-aid projects by transportation agencies. The manual also outlines WSDOT’s oversight and review activities. The Division reviews and approves twice a year the LAG Manual to ensure it complies with FHWA Order 50220.2 (Stewardship and Oversight of Federal-Aid Projects Administered by Local Public Agencies, August 14, 2014).

WSDOT is also required to conduct verification activities to assure that local agency federal aid projects are implemented in conformance with federal aid requirements.

WSDOT conducts Project Management Reviews (PMR) to assess whether the certified agency administered the project in accordance with federal aid

requirements. The PMR review is conducted at a minimum every three years on the local agency's project with the most risk associated with it and the local agency's certification acceptance is reevaluated. In addition WSDOT conducts documentation and a final inspection on every local agency federal aid project.

The Washington State Department of Transportation *Local Agency Guidelines Manual* (M 36-63.37 – May 2019), Chapter 53 – Project Closure, states in part:

### 53.3 Project Reviews

In order to be reasonably certain that local agencies are administering FHWA funds in accordance with the Local Agency Guidelines, WSDOT will perform procedural reviews on selected local agency ad-and-award projects.

These reviews will be:

- Project Management Reviews (PMR) performed by Local Programs
- Documentation Reviews performed by the Region Local Programs Engineer.

**2019-016      The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.**

<b>Federal Awarding Agency:</b>	U.S. Department of Transportation
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	20.205      Highway Planning and Construction 20.219      Recreational Trails Program 20.224      Federal Lands Access Program
<b>Federal Award Number:</b>	Too numerous to list. All approved subaward projects under the Federal Highway Administration Stewardship and Oversight Agreement.
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Washington State Department of Transportation (Department), Local Programs Office administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for highway construction projects. The Department spent about \$673 million on highway projects during fiscal year 2019. Of that amount, it passed through about \$236 million to local agencies as subawards.

To determine the appropriate level of monitoring, federal regulations require the Department to evaluate each subrecipient's risk of noncompliance with federal statutes and regulations, and the terms and conditions of the subaward. During fiscal year 2019, the Department awarded about \$229 million in new subawards to 158 separate local agencies for more than 400 highway construction projects across the state.

Staff in the Local Programs Office at Department headquarters perform onsite monitoring of every local agency with an open and active project, and staff in the six regional offices perform documentation reviews of each local agency in their respective regions.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster. The prior finding number was 2018-012.

***Description of Condition***

The Department did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.

Until June 2019, the Department did not have policies or procedures in place to address how risk assessments of subrecipients should be performed and documented. When the Department prepares to monitor or review an agency, it selects an open and active project and evaluates the agency based on its performance under that project. The Department had written procedures for performing subrecipient monitoring at both the regional and headquarters levels that directed staff to consider various factors such as the complexity of the projects and past performance of the



agency when determining which project to select. However, the Department did not require staff to perform a risk assessment of the agency to determine the appropriate level of monitoring as required by federal regulations.

We examined 55 of the 414 projects awarded funding during the audit period to determine if the Department performed a risk assessment of each project to determine the appropriate level of monitoring required for the subrecipient. We found 52 of the projects (95 percent) did not undergo a risk assessment.

We consider this internal control deficiency to be a material weakness.

### *Cause of Condition*

Management did not ensure the Department met the federal requirement to perform risk assessments of subrecipients. Management at headquarters believed the Department was already meeting the requirement through its onsite monitoring process carried out by the regional offices. Local Programs Engineers in the six regions who were responsible for performing onsite monitoring could not conduct risk assessments for each awarded project, because the Department's newly implemented policies and procedures did not take effect until June 2019.

### *Effect of Condition*

Not performing risk assessments of subrecipients makes the Department less likely to detect noncompliance with grant terms and conditions, and federal regulations, by subrecipients. Without verifying risk assessments are completed for each awarded project, the Department cannot ensure risk assessments are performed consistently and using the proper criteria to determine the appropriate amount of monitoring required for each subrecipient project.

### *Recommendations*

We recommend the Department:

- Keep records to show the required risk assessments were performed, which would allow management to monitor the results and demonstrate compliance with federal requirements
- Monitor region local programs engineering staff sufficiently to ensure risk assessments are completed for each awarded project

### *Department's Response*

*We appreciate the State Auditor's Office (SAO) audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations and understand it is SAO's point of view that documentation must be maintained in order to verify WSDOT's compliance with the requirement to assess risk to inform our monitoring of local agencies. After receipt of the FY 2018 finding in March 2019, Local Programs developed a risk assessment program that was implemented in June 2019. However, because the FY 2018 finding and subsequent corrective actions took place so late in FY 2019, full risk assessment compliance could not be achieved during the FY 2019 Single Audit. The FY 2020 Single Audit should find the risk assessment program meeting requirements to perform risk assessments and inform required monitoring activities.*



### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining whether the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
  - (1) The subrecipient's prior experience with the same or similar subawards;
  - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
  - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
  - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency.)

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

#### Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: 2 CFR 200 – Frequently Asked Questions

.331-10 Requirements for Pass-Through Entities. Timing of Subrecipient Risk Assessments, states in part:

Section §200.331(b) indicates that pass-through entities must “evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring . . .” Are pass-through entities required to assess the risk of non-compliance for each applicant prior to issuing a subaward?

No. While section §200.331(b) requires risk assessments of subrecipients, there is no requirement for pass-through entities to perform these assessments before making subawards. Under the Uniform Guidance, the purpose of these risk assessments is for pass-through entities to determine appropriate subrecipient monitoring. Pass-through entities may use judgment regarding the most appropriate timing for the assessments. Regardless of the timing chosen, the pass-through entity should document its procedures for assessing risk. Section §200.331(b) (1) – (4) includes factors that a pass-through entity may consider when assessing subrecipient risk.

**2019-017      The Department of Transportation did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.**

**Federal Awarding Agency:** U.S. Department of Transportation  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 20.205 Highway Planning and Construction  
20.219 Recreational Trails Program  
20.224 Federal Lands Access Program  
**Federal Award Number:** Too numerous to list. All approved subaward projects under the Federal Highway Administration Stewardship and Oversight Agreement.  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

### ***Background***

The Washington State Department of Transportation (Department), Local Programs Office administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for various highway construction projects. The Department spent about \$673 million on highway projects during fiscal year 2019. Of that amount, it passed through about \$236 million to local agencies as subawards.

Federal regulations require the Department to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend \$750,000 or more in federal award during a fiscal year obtain a single audit. The audit must be completed and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the subrecipients audit period.

In addition, for the awards it passes on to its subrecipients, the Department must follow up and ensure its subrecipients take timely and appropriate action on all deficiencies detected through audits, onsite reviews and other means, and must issue a management decision for audit findings pertaining to the federal award provided to the subrecipient by the Department within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure federal award funds are used for authorized purposes and within the provisions of contracts or grant agreements.

The Local Programs Office communicates annually with all active subrecipients, informing them of the requirement to receive a single or program-specific audit in accordance with 2 CFR Part 200.501, and ensure that a copy of the audit report is transmitted promptly to the Department. It also uses a tracking system to identify amounts it passed through to subrecipients, as well as to document audit activity for the subrecipients, including the date(s) on which audit reports were due and ultimately received by the Department. The Department must follow up with each subrecipient to get the necessary information to obtain assurance as to whether or not a single audit is required. If a subrecipient audit contains any findings related to the program, the Department must follow up to ensure corrective actions are taken.

### *Description of Condition*

The Department of Transportation did not have adequate internal controls and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.

We identified 190 subrecipients that received pass-through funding from the Department for their fiscal year 2017 (January 1 – December 31, 2017). Any required audits for these local governments would be due by September 30, 2018, which falls within our audit period.

#### *Subrecipients not monitored by the Department:*

The Department did not ensure its subrecipients that received less than \$750,000 in pass-through funds from the Department received an audit or did not require one. This did not comply with federal regulations and resulted in 126 subrecipients not being monitored to ensure required single audits were performed.

#### *Subrecipients expending at least \$750,000 in pass-through funds from the Department:*

We examined 12 of the remaining 64 subrecipients with active subawards during the audit period that received at least \$750,000 from the Department to determine if the Department ensured the subrecipient received the required audit and followed up on any findings issued for the program. This included issuing a written management decision and verifying corrective actions were documented by the subrecipient.

We found one out of 12 instances (8 percent) where the Department identified a finding was issued, but did not document that a management decision was issued. We then expanded testing and identified a total of six subrecipients that received a single audit finding for the Highway Planning and Construction Cluster during the period under review. We requested the management decisions the Department needed to issue for each. The Department could not provide three of the management decisions or any correspondences with the subrecipients to demonstrate they were issued. Two of these subrecipients received more than \$750,000 in pass-through funds from the Department.

We consider these internal control deficiencies to constitute a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Department interpreted the audit requirements outlined in federal rule to only apply to subrecipients that received \$750,000 or more in federal awards from the Department itself. When the Department did not reimburse \$750,000 or more to a subrecipient, the Department relied on the subrecipient to inform the Department as to whether a single audit was required for their fiscal year. The Department did not monitor subrecipients of this category to ensure required audits would be completed.

The Department also did not provide adequate instruction to staff responsible for monitoring subrecipient single audits to ensure that all program findings were identified and management decisions were issued to address each finding. Management also did not monitor sufficiently to ensure management decisions were issued, when required.

### *Effect of Condition*

Without establishing adequate internal controls, the Department cannot identify whether its subrecipients met the threshold for an audit required under federal law and ultimately obtained the required audit(s). This increases the risk of undetected noncompliance with federal program requirements, as well as with grant award terms and conditions.

Additionally, not issuing a management decision when required makes the Department unable to accurately determine the effect of the reported noncompliance on the federal program.

We reviewed the Federal Audit Clearinghouse for fiscal year 2017 single audit reports to determine the number of subrecipients that ultimately received an audit. We found 95 of the Department's subrecipients with subawards funded by the Highway Planning and Construction Cluster received a single audit. Of these audits, 33 (35 percent) were not detected or reviewed by the Department.

### *Recommendations*

We recommend the Department:

- Update written policies and procedures for following up with subrecipients to determine if audits are required to include all subrecipients of federal awards, regardless of the pass-through amount
- Monitor all subrecipients to ensure they provide responses regarding their single audit status every year
- Improve its internal controls to ensure all subrecipient audit reports are received and reviewed to determine if there are findings related to the program(s) funded through subaward
- Follow up on all subrecipient audit deficiencies and issue a management decision for each finding related to the program funded through the subaward
- Ensure subrecipients with findings related to Department programs develop and perform acceptable corrective actions to adequately address all audit recommendations

### *Department's Response*

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations.*

*WSDOT Local Programs currently ensures all subrecipients that received federal funding in excess of \$750,000 from WSDOT obtained a single audit and monitors those audits for any deficiencies detected and takes appropriate actions. In 2015, Local Programs updated its Local Agency Guidelines (LAG) and subaward agreements increasing the single audit threshold amount*

*and language that requires local agencies to comply with the single audit or program-specific audit requirements. Local Programs provides training throughout each year that includes reminding local agencies of the single audit requirements. In addition, when this issue arose as an informal recommendation in a previous Single Audit, WSDOT consulted the Federal Highway Administration's (FHWA) Washington Division Office, to determine the responsibilities of state agencies in this matter. FHWA agrees that our agency's guidance in the LAG Manual appears to meet the intent of the requirements in 2 CFR 200.331 and 2 CFR 200.501, with respect to subrecipient audit requirements, and obtaining written verification from each subrecipient below the audit threshold is not the only means to achieve compliance.*

*WSDOT will continue to work with FHWA, the State Auditors, and other stakeholders and take any actions required to ensure it remains compliant with all federal requirements and communicate those actions to appropriate staff and stakeholders.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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



- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.



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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Section 200.331 Requirements for Pass-Through Entities, states in part:

All pass-through entities must:

- (f) Verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

Section 200.501 Audit Requirements, states in part:

- (a) A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Section 200.521 Management Decision, states in part:

- (a) General. The management decision must clearly state whether or not the audit finding is sustained the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee.
- (c) Pass-through entity. As provided in §200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be

responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

- (d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC.

The Washington State Department of Transportation, *Local Agency Guidelines Manual (M36-63)* Chapter 53 – “Project Closure”, states in part:

#### 53.4 Financial and Compliance Audit

.41 Single Audit – The local agency is responsible for ensuring that a federal single audit is performed in accordance with 2 CFR Part 200.501 – Audit Requirements.

The Washington State Department of Transportation, *Local Agency Agreement* (DOT Form 140-039), states in part:

#### Provisions

#### VIII. Single Audit Act

The Agency, as a subrecipient of federal funds, shall adhere to the federal regulations outlined in 2 CFR Part 200.501 as well as all applicable federal and state statutes and regulations. A subrecipient who expends \$750,000 or more in federal awards from all sources during a given fiscal year shall have a single or program-specific audit performed for that year in accordance with the provisions of 2 CFR Part 200.501. Upon conclusion of the audit, the Agency shall be responsible for ensuring that a copy of the report is transmitted promptly to the State.

**2019-018      The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.**

<b>Federal Awarding Agency:</b>	U.S. Department of Transportation
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	20.205      Highway Planning and Construction 20.219      Recreational Trails Program 20.224      Federal Lands Access Program
<b>Federal Award Number:</b>	Too numerous to list. All approved subaward projects under the Stewardship and Oversight Agreement
<b>Applicable Compliance Component:</b>	Special Tests and Provisions: Wage Rate Requirements
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Washington State Department of Transportation (Department) receives federal funding under the Highway Planning and Construction Cluster for highway construction projects throughout the state. Some of these projects are awarded to contractors who perform the work on behalf of the Department. The Department spent about \$673 million in federal Highway Planning and Construction Cluster funds during fiscal year 2019.

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts exceeding \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor. All contractors and subcontractors are required to submit a copy of their payroll and a statement of compliance (certified payrolls) on a weekly basis, for each week in which any applicable contract work is performed.

There are two types of construction contracts: Design-build and design-bid-build. Under a design-build contract, the contractor will engineer the project and build it. In a design-bid-build contract, the Department engineers the project and the contractor builds it based on the Department's plans and specifications. Both types of contracts involve a prime contractor and subcontractors. The design-build contractor is considered the prime contractor on design-build projects.

The Department requires field inspectors to be onsite during construction work to ensure projects are completed in accordance with contract specifications. For every day of the week when contract work is performed, the inspector completes an Inspector Daily Report (IDR) and documents if there was any labor or mechanical work performed on that day. The IDRs are submitted to the Project Engineer, Project Manager, or Chief Inspector overseeing construction, who then reviews them to determine if any contractors must submit certified payrolls for that work week.

The Department publishes the *Standard Specifications for Road, Bridge, and Municipal Construction*, which applies to its construction contracts. These specifications require contractors to submit certified payrolls to the Department within 10 calendar days of the end of each weekly

payroll period. If their certifications are not submitted in a timely manner, the specifications allow the Department to withhold payment from contractors and enact other sanctions as necessary.

In the prior audit, we reported the Department did not have adequate internal controls over, and did not comply with requirements to collect certified payrolls from contractors. The prior finding number was 2018-013.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.

We used a statistical sampling method and randomly sampled 86 weeks in which work was performed on a specific construction contract. We identified 74 weeks that required certified payrolls to be submitted. The Department provided documentation for 72 weeks, requiring 325 certified payrolls, but did not collect the certified payrolls from the contractor for the other two weeks.

### *Collecting certified payrolls*

The Department did not collect all certified payrolls, as required. Based on the IDRs completed by Department field inspectors, we determined some certified payrolls were missing for 21 of the 72 weeks we examined. These weeks were missing 35 out of 153 required certified payrolls.

Of the 290 certified payrolls we examined, 141 were not submitted within 10 calendar days, as required. On average, these payrolls were 51 days late, and 32 were more than 60 days late.

For an additional 78 certified payrolls, we could not determine if they were collected in a timely manner because the Department did not document when it received them from the contractor.

### *Internal controls and review of certified payrolls*

For 15 of the 74 weeks requiring certified payrolls, we found the IDRs for the week were not reviewed by the Project Engineer, Project Manager or Chief Inspector.

For 42 of the 74 weeks examined, we found inconsistencies between what was reported on the IDRs, what was recorded in the documentation used to track certified payroll, and the certified payroll forms. Examples include:

- For six weeks, a contractor was reported on the IDR but was not on the documentation used to track certified payroll.
- For five weeks, a contractor submitted certified payrolls when the Department had no documentation showing the contractor performed work for the corresponding week.
- For three weeks, the certified payroll documents submitted by three contractors were not signed by the preparer.

We consider these internal control deficiencies to be a material weakness.

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

Management did not adequately monitor to ensure compliance with federal requirements. There were no written policies and procedures describing how staff should collect and account for all required certified payroll. According to Department headquarters, the project offices should be using a tracking mechanism, such as a spreadsheet, to ensure they collect all required certified payrolls from the contractor. However, Department headquarters staff also said they do not provide a specific form for project offices to use nor procedure to follow, and allow each project office to determine its own tracking method. Project offices are allowed discretion in how to operate their offices. Offices vary in size and workload.

On June 26, 2019, the Construction Administration Division issued a written management bulletin to all project offices providing detailed instruction and standard processes for collecting and tracking certified payroll. However, this communication was not effective to prevent noncompliance with certified payroll timeliness requirements during the audit period.

### ***Effect of Condition***

When the Department does not collect all certified payrolls, it cannot ensure that laborers under federally funded construction contracts are paid the applicable prevailing wages, as required by law.

In addition, by not collecting certified payrolls weekly, the Department is not complying with federal requirements, and may be subject to actions by the federal grantor.

### ***Recommendations***

We recommend the Department:

- Establish written policies and procedures for staff to follow to ensure all required certified payrolls are collected from the prime contractor in a timely manner
- Monitor project offices to ensure they collect certified payrolls weekly, for each week of the contract, as required under federal law
- Collect certified payrolls from all prime contractors and subcontractors for each week in which labor and/or mechanical work was performed within 10 days of that week ending, as required under the Standard Specifications
- Consider assessing sanctions on noncompliant contractors in accordance with the Standard Specifications, such as withholding any or all payments, as necessary when contractors do not submit certified payrolls within 10 days, as required by the Department

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

*We appreciate the State Auditor's Office (SAO) audit of the Federal Highway Program. WSDOT is committed to ensuring our programs comply with federal regulations.*

*After receiving the FY 2018 Single Audit Finding regarding the collection of certified payrolls, the WSDOT's Construction Office took many actions to improve agency-wide efforts to collect certified payrolls timely. These actions included highlighting the requirements for collecting*

*certified payrolls at all statewide construction meetings, releasing a Construction Bulletin regarding monitoring contractors for timely certified payroll submittals, and working with the Department of Labor & Industries (L&I) to adopt their new on-line system to collect these contractor payrolls. The L&I system went live in January 2020 and the other corrective actions began during FY 2019, so their full effectiveness could not be determined by the end of FY 2019.*

*We will continue to strive for improvements in this area. However, as indicated last year, the draft audit finding does not take, into account the nature of the contractual relationship between the contractor and WSDOT as the owner. The owner's compliance with the Davis-Bacon Act and regulations cited in the finding is determined by collective actions specified by regulations (e.g. withholding funds) and not merely by how many payrolls are collected from the contractor within a 10 day window. WSDOT, in close consultation with the Federal Highway Administration (FHWA), has established contract administration processes with contingencies built in to address and correct for contractor noncompliance. WSDOT and the contractor share the responsibility to apply and enforce the prevailing wage rate requirements in Federal-aid contracts. FHWA guidance recommends actions to take if a contractor is habitually late in submitting payrolls, but leaves it up to WSDOT to determine when sanctions should be imposed. WSDOT's Standard Specifications (1-07 .9(5)) on certified payrolls aligns with FHWA guidance. Sanctions are imposed as appropriate during the life of a contract. This contractual relationship also extends to the relationship between the Department and grantor the FHWA, as evident in the FHWA's letter of April 25, 2019 in response to SAO's finding for FY18 which states "WSDOT's process and policy concerning certified payrolls has been approved by FHWA through the approval of WSDOT's Construction Manual and Standard Specifications. As part of FHWA's approval FHWA agreed that these processes are reasonable and satisfy the intent of the Department of Labor's certified payroll requirements (emphasis added), as FHWA understands them. FHWA believes that the procedures contain the necessary controls to ensure compliance with 29 CFR 5.5 and FHWA Davis-Bacon and Related Acts ... "Further, WSDOT will not close a project until they have addressed all certified payrolls.*

*Through additional research, the WSDOT Construction Office has confirmed that our project offices have collected all but six of the 290 certified payrolls in question, and has taken action, such as withholding of funds, against contractors who submitted payrolls habitually late.*

*We will continue to look for opportunities to improve our process as well as our documentation to demonstrate compliance with the Davis-Bacon Act requirements. We will continue consulting with FHWA for any further actions needed to resolve this finding.*

### ***Auditor's Remarks***

The Department states it confirmed that all but 6 certified payrolls were received, which is not consistent with our audit results. After performing our testing we provided the results to management and gave the Department the opportunity to provide additional documentation for our review. No further documentation was provided by the Department prior to the audit fieldwork being complete.

The Department states it has processes in place to ensure compliance is achieved before a construction project closes. The purpose of collecting certifications timely, however, is so the Department can ensure workers on federal projects they oversee are being paid promptly, and at

the proper wages. Collecting them significantly late does not allow for non-compliance to be detected and addressed in a timely manner.

The Department also states it has many other processes in place to ensure compliance with Davis Bacon requirements. However, the high rate of noncompliance identified indicates that these processes are not effective in ensuring certified payrolls are collected weekly, as is required by federal law.

We reaffirm our finding and will review the status of the Department's corrective actions during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
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Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a



noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

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**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.



Title 29, Code of Federal Regulations contains, in part:

5.5 Contract provisions and related matters.

(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor):

(1) *Minimum wages.* (i) All laborers and mechanics employed or working upon the site of the work (or under the United States Housing Act of 1937 or under the Housing Act of 1949 in the construction or development of the project), will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in §5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: *Provided*, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage

determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

(ii) (A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency). The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (*e.g.*, the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/esa/whd/forms/wh347instr.htm> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit them to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency), the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the sponsoring government agency (or the applicant, sponsor, or owner).

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under §5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under §5.5 (a)(3)(i) of

Regulations, 29 CFR part 5, and that such information is correct and complete;

- (2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3; (3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

- (6) *Subcontracts.* The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the (write in the name of the Federal agency) may by appropriate instructions require, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

- (7) *Contract termination: debarment.* A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

- (8) *Compliance with Davis-Bacon and Related Act requirements.* All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

Standard Specifications for Road, Bridge, and Municipal Construction 2018 states, in part:

1-07.9(5) Required Documents

Certified payrolls are required to be submitted by the Contractor to the Engineer, for the Contractor and all Subcontractors or lower tier subcontractors, on all Federal-aid projects and, when requested in writing by the Engineer, on projects funded with only Contracting Agency funds. If these payrolls are not supplied within 10 calendar days of the end of the preceding weekly payroll period for Federal-aid projects or within 10 calendar days from the date of the written request on projects with only Contracting Agency funds, any or all payments may be withheld until compliance is achieved. Also, failure to provide these payrolls could result

in other sanctions as provided by State laws (RCW 39.12.050) and/or Federal regulations (29 CFR 5.12). All certified payrolls shall be complete and explicit. Employee labor descriptions used on certified payrolls shall coincide exactly with the labor descriptions listed on the minimum wage schedule in the Contract unless the Engineer approves an alternate method to identify the labor used by the Contractor to compare with the labor listed in the Contract Provisions. When an apprentice is shown on the certified payroll at a rate less than the minimum prevailing journey wage rate, the apprenticeship registration number for that employee from the State Apprenticeship and Training Council shall be shown along with the correct employee classification code.

**2019-019      The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.**

<b>Federal Awarding Agency:</b>	Department of Transportation
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	20.205 Highway Planning and Construction Cluster 20.219 20.224
<b>Federal Award Number:</b>	Too numerous to list. All approved subaward projects under the Stewardship and Oversight Agreement
<b>Applicable Compliance Component:</b>	Special Tests and Provisions – Quality Assurance Program
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

The Washington State Department of Transportation (Department) administers federal funding under the Highway Planning and Construction Cluster to local agencies throughout the state for their highway construction projects. The Department spent more than \$673 million on highway projects during fiscal year 2019.

Federal regulations require that the Department have a quality assurance (QA) program, approved by the Federal Highway Administration (FHWA), for construction projects on the National Highway System to ensure that materials and workmanship conform to approved plans and specifications. Verification sampling must be performed by qualified testing personnel employed by the Department or by its designated agent, excluding the contractor.

The Department's QA program requirements are outlined in the Construction Manual, which is approved by FHWA. This manual documents the manner in which materials are tested for acceptance before being incorporated into construction projects. Materials can be accepted in various ways, such as testing of samples, visual inspection, or a certification of compliance from the manufacturer.

Project Engineers are responsible for accepting materials in accordance with the Department's QA program. The Department requires that all projects have a Record of Materials (ROM) created to identify the type and quantity of materials that require quality assurance testing. The ROM is then shared with the responsible project office to identify the materials that should be used and tested during the project. Any updates to materials used in the project are reflected in the Materials Tracking Program. The Department performs centralized monitoring of the materials testing, but for this to be effective, the Materials Tracking Program must be updated promptly.

In addition, the Department maintains Inspector Daily Reports and Field Note Records to indicate what materials are actually used in the construction project. If a materials test is required, the Department must ensure that the testing is performed by qualified individuals, including independent testers, consultants or certified Department employees.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with QA program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.

We used a statistically valid sampling method to randomly select 59 of 253 highway construction projects for testing. For some tests, we examined the ROM as a whole, while for others we randomly selected one of the materials from the ROM to test.

#### *ROMs were not created for all construction projects*

According to the Department's Construction Manual, a ROM must be created for each project before the construction project is started. We found three projects did not have a ROM created (5 percent). Two of these projects were for emergency repairs, and one was related to facilities construction.

We also found the QA Construction Manual, approved by the FHWA, did not address all construction projects that were funded by the Highway Planning and Construction Cluster.

#### *Materials used were not documented*

According to the Construction Manual, each ROM must be maintained in the Materials Tracking Program and be accurately and actively maintained throughout the course of the project. We found three ROMs (5 percent) for which the material we selected was not documented as having been tested and used. We also found one instance when the department did not update the Field Note Records to correctly reflect what was tested and approved (2 percent).

#### *Materials tests were not always documented*

According to the Construction Manual, each material permanently incorporated into a contract must be field verified by the inspector. Field verification must occur before or during placement of the material. By signing/initialing a Field Note Record for payment, the field inspector affirms that items requiring field verification have been checked and have been found to be acceptable. The Inspector Daily Report is intended to document communication, progress of work, contractor workforce/equipment and materials sampling/acceptance.

We found that the project offices did not have an Inspector Daily Report or Field Note Record documentation for four (7 percent) material bid items.

#### *Tester qualifications could not be verified*

For the 59 materials selected for testing, we determined whether the Department kept records showing the qualifications of its certified testers. We found one instance when the Department did not keep certification documents for a third-party tester (2 percent).

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

We found that the QA section of the Construction Manual was not complete and did not address all construction projects funded by FHWA. Specifically, the Department did not have policies and procedures for materials testing, verification and acceptance for facilities construction, and emergency repairs. Therefore, management did not track materials used on facilities and emergency contracts through the ROM because it thought the QA provisions did not apply to these projects.

The Department had written procedures to ensure that the ROM's are actively maintained. However, these procedures were not followed.

Management could not monitor the status of all materials used in construction projects because project offices did not always update the Materials Tracking Programs, as required by the Construction Manual. We also found the Department did not have policies and procedures in place to assign responsibility for reviewing Inspector Daily Reports or Field Note Records to ensure materials acceptance criteria were met.

The Department did not document verification of third-party tester qualifications because it thought that information on the consultant's website was sufficient, and because the Department considered this consultant to be low risk.

### *Effect of Condition*

The Department did not comply with the QA program requirements, and the required materials testing or acceptance did not occur in accordance with Department policies. Though the Department was able to provide documentation showing some of the materials previously referenced were properly tested, four of the materials appear to have been insufficiently tested before being used.

By not verifying qualifications of testers, the Department risks using materials that are improperly tested.

### *Recommendations*

We recommend the Department:

- Update its Construction Manual for emergency contracts and facilities contracts
- Update its policies and procedures to include management review of materials records to ensure all proper tests have occurred
- Monitor project offices to ensure compliance with policies and procedures
- Ensure all testers are qualified before they conduct material tests



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

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office (SAO) audit of the Federal Highway Program and the federally required Quality Assurance (QA) program. WSDOT is committed to ensuring our programs comply with federal regulations.*

*In 2019, WSDOT tested thousands of materials to ensure the materials used on WSDOT projects meet various industry standards. The SAO audit notes 12 exceptions that have brought to light where we need to improve our documentation practices used on state highway projects. The finding also identified that the WSDOT Construction Manual did not properly capture current practices regarding materials for our emergency and facility contracts.*

*The Construction Division is updating the WSDOT Construction Manual to address the concerns identified in the audit. The Construction Division will communicate these updates to the appropriate WSDOT staff and stakeholders to help ensure adherence to federal regulations and Department policies and procedures.*

### ***Auditor's Remarks***

Our Office randomly selected 59 construction projects that were open and active during the audit period and examined one material from each sampled project. The 12 exceptions we identified only pertain to the 59 materials we examined.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.



Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 23 U.S. Code of Federal Regulations Part 637, Construction Inspection and Approval establishes the following applicable requirements:

Section 637.201 Purpose

To prescribe policies, procedures, and guidelines to assure the quality of materials and construction in all Federal-aid highway projects on the National Highway System.

Section 637.205 Policy

- (a) **Quality assurance program.** Each STD shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the NHS are in conformity with the requirements of the approved plans and specifications, including approved changes. The program must meet the criteria in (Section 637.207) and be approved by the FHWA.
- (b) **STD capabilities.** The STD shall maintain an adequate, qualified staff to administer its quality assurance program. The State shall also maintain a central laboratory. The State's central laboratory shall meet requirements in (Section 637.209 (a)(2)).
- (c) **Verification sampling and testing.** The verification sampling and testing are to be performed by qualified testing personnel employed by the STD or its designated agent, excluding the contractor and vendor.
- (d) **Random samples.** All samples used for quality control and verification sampling and testing shall be random samples.

Section 637.207 Quality assurance program

- (a) Each STD's quality assurance program shall provide for an acceptance program and an independent assurance (IA) program consisting of the following:
  - (1) Acceptance program.

- (i) Each STD's acceptance program shall consist of the following:
  - (A) Frequency guide schedules for verification sampling and testing which will give general guidance to personnel responsible for the program and allow adaptation to specific project conditions and needs.
  - (B) Identification of the specific location in the construction or production operation at which verification sampling and testing is to be accomplished.
  - (C) Identification of the specific attributes to be inspected which reflect the quality of the finished product.
- (ii) Quality control sampling and testing results may be used as part of the acceptance decision provided that:
  - (A) The sampling and testing has been performed by qualified laboratories and qualified sampling and testing personnel.
  - (B) The quality of the material has been validated by the verification sampling and testing. The verification testing shall be performed on samples that are taken independently of the quality control samples.
  - (C) The quality control sampling and testing is evaluated by an IA program.

The Department of Transportation Construction Manual (M41-01), Chapter 9: Materials, states in part:

#### *9-1 General*

The quality of materials used on the project will be evaluated and accepted in various ways, whether by testing of samples, visual inspection, or certification of compliance. This chapter details the manner in which these materials can be accepted. Requirements for materials are described in *Standard Specifications for Road, Bridge, and Municipal Construction* M 41-10 Section 1-06 and Division 9.

It is the Project Engineer's responsibility to accept materials in accordance with this chapter. For materials that do not meet specification requirements, the Project Engineer shall contact the State Construction Office which will coordinate with the State Materials Laboratory to determine the appropriate action.

#### *9-1.2C Record of Materials (ROM)*

A Record of Materials (ROM) listing of all major construction items provided by the State Materials Laboratory for each project. For these major construction items, the ROM identifies the kinds and quantities for all materials deemed to require quality assurance testing. It further identifies the minimum number of acceptance and verification samples that would be required for acceptance of those materials. The minimum number of acceptance tests is based on the planned quantities for the project and should be adjusted on the project ROM for the actual quantities used. Also listed are those materials requiring other actions, such as Fabrication

Inspection, Manufacturer's Certificate of Compliance, Miscellaneous Certificates of Compliance, Shop Drawings, Catalog Cuts and Field Acceptance.

The accuracy of the ROM and Certification of Materials is largely the responsibility of the Project Engineer.

In order to ensure clarity upon completion of the work and to allow for easy certification of the project by both the Project Engineer and the Region, it is important that the project ROM (maintained in the Materials Tracking Program) be accurately and actively maintained throughout the course of the project.

#### *9-1.2D Materials Tracking Program, MTP*

The Project Engineer office shall use the Materials Tracking Program (MTP) to maintain the materials documentation information for each State Contract that is administered by that office.

Materials documentation such as approval, acceptance, field verification, CMO and other documentation for each item is required to be maintained for each permanently incorporated material. The Project Engineer office is expected to keep up to date entries for accurate tracking of materials placed on the jobsite and update the MTP to reflect the actual materials and quantities placed.

**2019-020      The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.**

**Federal Awarding Agency:** U.S. Department of Transportation  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 20.526 Bus and Bus Facilities Formula & Discretionary Programs  
**Federal Award Number:** WA-34-0004-00; WA-2017-052-00; WA-2017-053-00; WA-2017-054-00  
**Applicable Compliance Component:** Activities Allowed or Unallowed Allowable Costs/Cost Principles  
**Known Questioned Cost Amount:** \$1,093,061

***Background***

The Department of Transportation (Department), Public Transportation Division (Division), receives federal funding under the Federal Transit Cluster to fund projects for replacement, rehabilitation, and purchases of buses and related equipment, as well as construction of bus-related facilities, through formula-based and competitive selection procedures. Most of the projects funded under the Bus and Bus Facilities Formula and Discretionary Programs (CFDA 20.526) are administered by local transit agencies, or transit departments at a city or county government level or non-profit organizations approved for funding by the Department, as well as the U.S. Department of Transportation's Federal Transit Administration (FTA).

Federal regulations require award funds to be used for the purpose of funding capital projects including buses and vehicles (rolling stock), bus facilities, and bus-related equipment purchases. The Department's 2017-2019 biennial Guide to Managing Your Public Transportation Grant Guidebook issued to its subrecipients further states capital project funds may not be used for administrative costs incurred to conduct the procurement(s), maintenance costs for vehicles to be put in-service, or vehicle title and licensing fees. The Guidebook also requires specific supporting documents to accompany capital invoices (reimbursement requests) submitted to the Public Transportation Division in order to receive reimbursement for allowable purchases. The subrecipient must provide, with each capital invoice:

- Visual Inspection, and Road Test Forms for vehicles acquired with program funds
- Post-Delivery Buy America Compliance Certificates
- Post-Delivery Federal Motor Vehicle Safety Standards (FMVSS) Compliance Certificates
- Certificate of Insurance Coverage for the acquired vehicle(s)
- Vehicle Registration Certificate and Title showing the Department as the legal owner
- Letter of Vehicle Acceptance signed by the subrecipient
- Invoice from the vehicle manufacturer outlining the cost of vehicle production and delivery
- Itemized receipts for travel costs incurred by the subrecipient as a result of vehicle inspection and delivery (if applicable)

The Department spent about \$68 million in federal grant funds during fiscal year 2019, and the Division passed through about \$4.7 million to local transit agencies as subrecipients of grant funds for capital projects.

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

The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.

We examined all 13 reimbursements, totaling \$4,709,162, made by the Department during the audit period. We identified four reimbursements (31 percent) were missing supporting documentation required by the Department's Guide to Managing Your Public Transportation Grant for \$1,093,061 of the requested reimbursement.

Three reimbursements were made after receiving incomplete Vehicle Inspection Reports, and Road Test Forms for purchased vehicles. One additional reimbursement was made to a subrecipient who did not submit a Certificate of Insurance Coverage required for the newly acquired vehicle.

This condition was not reported in the prior audit.

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

The Division did not follow the requirements outlined in the Grant Guide when reviewing subrecipient invoices and supporting records before authorizing reimbursement. Additionally, management did not adequately monitor reimbursements made to subrecipients to ensure they were fully supported by required records.

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

Because the reimbursements to subrecipients did not contain required supporting records, we determined the Department improperly reimbursed \$1,093,061 in capital project costs, which represents the unallowable portion of the federal expenditures. The Department charged this entire amount to the federal grant.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Ensure staff responsible for reviewing subrecipient reimbursement requests follow Department policies and procedures when approving the requests
- Ensure all supporting records provided by the subrecipient are complete before reimbursing capital project expenses
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office (SAO) audit of the Bus and Bus Facilities Formula and Discretionary Programs. WSDOT is committed to ensuring our programs comply with federal regulations and concurs with the finding and recommendation.*

*The SAO found the reimbursement to the transit authority was an allowable activity, but classified its expenditure as a questioned cost since internal Public Transportation Division (PTD) processes for the reimbursement were incomplete or not properly documented. The reimbursement was for the purchase of a bus, which meets the eligibility requirements for this federal grant program. The PTD has since obtained all required documentation to fully support these payments and will provide it to the Federal Transit Administration, should they request it. In line with the finding's recommendations, PTD staff will ensure all required documentation from subrecipients is received and complete prior to reimbursing for capital project expenses.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.



- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The Washington State Department of Transportation *Guide to Managing Your Public Transportation Grant (For 2017-19 State and Federal Grants Awarded by the Washington State*



*Department of Transportation*), Chapter 3 – Guidelines for Capital (Vehicle and Equipment) Projects, page 75, states in part:

*Ineligible Capital Costs*

To receive reimbursement, grantees must email a pdf of the completed reimbursement request signed by the agency's financial manager or another authorized representative along with copies of the vendor invoices and all other required attachments.

A completed reimbursement request for the vehicle purchase must include the following information or attachments:

Federally-funded procurements:

- Completed visual-inspection and road-test forms for vehicle purchases.
- Copy of the insurance certificate covering the vehicle.

**2019-021      The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to monitor the activities of subrecipients with subawards funded by the Federal Transit Cluster.**

**Federal Awarding Agency:** U.S. Department of Transportation  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 20.526 Bus and Bus Facilities Formula and Discretionary Programs  
**Federal Award Number:** WA-34-0004; WA-2017-052; WA-2017-053; WA-2017-054  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

***Background***

The Department of Transportation (Department), Public Transportation Division (Division), receives federal funding under the Federal Transit Cluster to fund projects for replacement, rehabilitation, and purchase of buses and related equipment, as well as construction of bus-related facilities, through formula-based and competitive selection procedures. Projects funded under the Bus and Bus Facilities Formula and Discretionary Programs (Section 5339 Program) are administered by local transit agencies at the city or county government level or non-profit organizations approved for funding by the Department, as well as the U.S. Department of Transportation's Federal Transit Administration (FTA).

Federal regulations require the Department to monitor the activities of subrecipients to ensure subawards are used for authorized purposes and that activities comply with terms and conditions of the subaward and achieve performance goals. Specifically, monitoring efforts must include reviewing financial and programmatic (performance and special) reports required by the pass-through entity.

The Division maintains its own requirements for subawards of federal funds, published in the 2017-2019 biennial Guide to Managing Your Public Transportation Grant (Guide). This Guide outlines additional requirements imposed on all subrecipients by the Department, including:

- Required site visits every two years for managing federally funded vehicles and equipment;
- Reviewing capital costs charged to the subaward(s) for allowability and appropriateness; and
- Reviewing the subrecipient's compliance with federal and state procurement requirements.

The Department spent about \$68 million in federal grant funds during fiscal year 2019, and the Division passed through about \$4.7 million to local transit agencies as subrecipients of grant funds.

***Description of Condition***

The Department did not have adequate internal controls over and did not comply with federal requirements to conduct program monitoring of its subrecipients of federal funds awarded under the Federal Transit Cluster.

The Division did not ensure it performed site visits of subrecipients every two years, as required by the Guide. In addition, internal controls were not effective to ensure the Division received quarterly progress reports, required under the terms and conditions of the subaward, from subrecipients.

We reviewed seven of 19 subrecipients with active subawards funded by the Section 5339 Program during the audit period to determine if the Division performed site visits at each subrecipient and reviewed quarterly progress reports submitted by the subrecipients, as required. We found four subrecipients (57 percent) with active subawards did not receive a site visit within two years of the previous site visit, as required by the Guide. We determined that the subsequent site visits did occur during the audit period. For one additional subrecipient (14 percent), the Division could not produce evidence of a completed site visit.

We also found one subrecipient (14 percent) did not submit quarterly progress reports to the Division during the audit period. The Division failed to monitor the status of required reports and did not communicate with the subrecipient to ensure the reports were ultimately received.

We consider these internal control deficiencies to constitute a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Division maintains a schedule of completed and anticipated site visits for each subrecipient to monitor compliance. However, the Division's monitoring of the schedule was not effective to ensure compliance with the Department's requirement to complete site visits for each subrecipient at least every two years.

The Division did not keep supporting records for one site visit that, according to the Department, occurred during the audit period. According to Department staff, the employee who conducted the evaluation left the Department in 2018, and the Division could not locate the site visit checklist for the subrecipient.

Division management did not monitor sufficiently and was not aware that a subrecipient failed to produce any quarterly progress reports for a capital project during the audit period.

### *Effect of Condition*

Without establishing adequate internal controls, and by not reviewing progress reports for capital projects, the Department cannot ensure that all subrecipient activities are allowable under the terms and conditions of the subaward, and that performance goals are being achieved. Without monitoring each subrecipient's use of federal grant funds, the risk of undetected noncompliance is increased.

In addition, failure to monitor the use of federal award funds by subrecipients could result in the termination or suspension of the federal grant award.

## ***Recommendations***

We recommend the Department:

- Establish written policies and procedures for monitoring the status of required quarterly progress reports due from subrecipients
- Improve internal controls to ensure site visits are completed for every active subrecipient as required by the Guide
- Keep supporting records for all future site visits and other reviews of subrecipient activities involving federal program funds

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

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office audit of the Bus and Bus Facilities Formula and Discretionary Programs. WSDOT is committed to ensuring our programs comply with federal regulations. WSDOT concurs that improvement to our Public Transportation's Division's (PTD) subrecipient monitoring activities would help ensure subrecipients comply with the terms and conditions of their subaward and achieve performance goals. In line with the finding's recommendations, PTD is updating existing and establishing new internal controls to help ensure we monitor progress reporting and conduct monitoring activities at the frequency prescribed in the Consolidated Grant Guidebook.*

## ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance

requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Section 200.331 Requirements for Pass-Through Entities, states in part:

All pass-through entities must:

- (b) Evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:
  - (1) The subrecipient's prior experience with the same or similar subawards;
  - (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F – Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
  - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
  - (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
- (d) Monitor activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action of all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
- (1) Providing subrecipients with training and technical assistance on program-related matters; and
  - (2) Performing on-site reviews of the subrecipient's program operations;
  - (3) Arranging for agreed-upon procedures engagements as described in §200.425 Audit services.
- (g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

The Washington State Department of Transportation *Guide to Managing Your Public Transportation Grant (For 2017-19 State and Federal Grants Awarded by the Washington State Department of Transportation)*, Chapter 1 – Requirements and Guidelines for All Projects, states in part:

*Program Compliance and Project Reporting*

As a steward of public funds, WSDOT is responsible for ensuring that grant funds are used properly and that organizations comply with the requirements associated with receiving state and/or federal grant funds... To help ensure compliance with state and federal laws as well as program requirements, WSDOT uses:

- Progress and Statistical Reporting
- Site Visits



### *Progress and Statistical Reporting*

In addition to submitting reimbursement requests, all grantees are required to submit quarterly progress reports to PTD. Progress reports and financial and statistical reports are due no later than 30 days after the end of each calendar quarter. Quarterly reporting is required on operating projects even if all of the grantee's awarded funds are exhausted. Quarterly reporting is required on capital projects every quarter up until the vehicle or equipment is received and reimbursed.

If a report is not received by the due date, is incomplete or includes inaccurate information, any reimbursement requests submitted by the grantee will not be processed for payment until an acceptable report is received.

A grantee that fails to submit required reports in full and in the timeframe identified by WSDOT may lose its *in good standing* status, which may jeopardize the funding for the current project(s) as well as risk the ability to secure future WSDOT grant funds.

### *Site Visits*

WSDOT conducts reviews of all agencies that receive grant funding. Site visits may take place to ensure compliance with both state and federally funded grant programs. The frequency of site visits depends on the type of project, the funding source and the grantee's existing risk-assessment status. First-time and medium to high-risk grantees can expect at least an annual visit. Low-risk grantees can expect a full site visit once every two years, with a desk review conducted during the off year.

Below is general information regarding site visit frequency:

**Capital Vehicle and Equipment Projects** – Minimum of one visit every two years for the useful life of the vehicle or equipment (administrative and capital).

**2019-022     The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required by federal rule, findings related to federal program awards were followed up on and management decisions were issued.**

**Federal Awarding Agency:** U.S. Department of Transportation  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 20.526 Bus and Bus Facilities Formula & Discretionary Programs  
**Federal Award Number:** WA-34-0004; WA-2017-052; WA-2017-053; WA-2017-054  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

### ***Background***

The Department of Transportation (Department), Public Transportation Division, receives federal funding under the Federal Transit Cluster to fund projects for replacement, rehabilitation, and purchases of buses and related equipment, as well as construction of bus-related facilities, through formula-based and competitive selection procedures. Projects funded under the Bus and Bus Facilities Formula and Discretionary Programs (Section 5339 Program) are administered by local transit agencies, or transit departments at a city or county government level or non-profit organizations approved for funding by the Department, as well as the U.S. Department of Transportation's Federal Transit Administration (FTA).

Federal regulations require the Department to monitor the activities of subrecipients. This includes ensuring its subrecipients that spend \$750,000 or more in federal award funds during a fiscal year receive a single audit. The audit must be completed and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the subrecipients audit period. In addition, the Department must follow up on any audit findings a subrecipient receives that might affect the federal program, and must issue a management decision within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure federal award funds are used for authorized purposes and within the provisions of contracts or grant agreements.

The Department maintains a spreadsheet of active subrecipient awards that documents the fiscal year end for each subrecipient. At the end of each subrecipient's fiscal year, the Department sends a written request for an attestation regarding whether the subrecipient needed an audit and updates the spreadsheet with the information. If the subrecipient does not respond, the Department follows up with the subrecipient to get the necessary information. If a subrecipient audit contains any findings related to the program, the Department follows up to ensure corrective actions are taken.

The Department spent about \$68 million in federal grant funds during fiscal year 2019, and the Division passed through about \$4.7 million to local transit agencies as subrecipients of grant funds.

### *Description of Condition*

The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required under federal rule, findings related to federal program awards were followed up on, and management decisions were issued.

The spreadsheet the Department used to track subrecipient audit activity included the date(s) on which audit reports were due and ultimately received by the Department. However, the spreadsheet did not include any information on subrecipients that did not respond to the Department's inquiry as to whether an audit was required for a given fiscal year. The Department also did not document the management decision due date for each subrecipient audit. In our judgment, this internal control was not effective to monitor the receipt and resolution of subrecipient single audits.

We reviewed seven of 19 subrecipients with active subawards during the audit period and found three (43 percent) did not respond to the Department's requests for signed attestations regarding their single audit status for the calendar year 2017. Because of the identified weaknesses, we expanded our testing and determined that seven of the 19 subrecipients received federal awards from other entities and required a single audit. However, the Department did not identify these subrecipients as needing an audit and, therefore, did not review their audits.

In addition, the Department failed to issue a management decision for one subrecipient that received an audit finding for a project funded by the Federal Transit Cluster program.

We believe this internal control deficiency constitutes a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Department did not have written policies and procedures in place for monitoring subrecipients that may require a single audit. The Department also did not provide adequate instruction to staff responsible for monitoring single audit requirements.

To determine whether a subrecipient required a single audit for their fiscal year, the Department reviewed the total funds it reimbursed (passed through) to the subrecipient to determine if the subrecipient met the \$750,000 minimum threshold. In cases where the Department itself did not reimburse \$750,000 or more to the subrecipient, the Department relied on the subrecipient to inform it as to whether a single audit was required.

The Department said guidance documents were written based on the impression that transit authorities had a minimal likelihood of receiving federal funds from sources other than the Department or FTA. This understanding was not accurate and staff did not verify whether the subrecipients received any other federal funds.

The Department did not issue a management decision for one subrecipient because the subrecipient had received a triennial review from FTA before receiving a single audit. The single audit finding communicated the same noncompliance that FTA had previously identified as part of its triennial

review of the subrecipient. FTA documented its concurrence with the subrecipient's corrective action plan upon reviewing the single audit report. Because of this, the Department thought that no additional written management decisions were required on its part.

### ***Effect of Condition***

Without establishing adequate internal controls, the Department cannot identify whether its subrecipients met the threshold for an audit required under federal law and ultimately received the required audit(s). This increases the risk of undetected noncompliance with federal program requirements, as well as with grant award terms and conditions.

Additionally, not issuing a management decision when required makes the Department unable to accurately determine the effect of the reported noncompliance on the federal program.

### ***Recommendations***

We recommend the Department:

- Establish written policies and procedures for following up with subrecipients to determine if audits are required
- Monitor all subrecipients to ensure they provide responses regarding their single audit status
- Receive and review all required audit reports to determine if there are findings related to federal programs
- Follow up on all subrecipient audit findings and issue a management decision for any findings related to the Federal Transit Cluster
- Ensure subrecipients develop and perform acceptable corrective actions to adequately address all audit recommendations

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

*The Washington State Department of Transportation (WSDOT) appreciates the State Auditor's Office audit of the Bus and Bus Facilities Formula and Discretionary Programs. WSDOT is committed to ensuring our programs comply with federal regulations. WSDOT concurs that improvements to the Public Transportation Division's (PTD) current subrecipient monitoring activities would help to ensure that our subrecipients receive single audits, if required. Current monitoring activities rely on subrecipient responses to a PTD notification; however, moving forward PTD will require a 100% response as to whether a single audit is or is not required. PTD will also ensure that management decision letters are issued if those audits result in findings for subrecipients. In line with the finding's recommendations, WSDOT is updating existing and establishing new internal controls to monitor our subrecipients as required by federal regulations.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Section 200.331 Requirements for Pass-Through Entities, states in part:

All pass-through entities must:

- (f) Verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.
- (h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

Section 200.501 Audit Requirements, states in part:

- (a) A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Section 200.521 Management Decision, states in part:

- (a) General. The management decision must clearly state whether or not the audit finding is sustained the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee.
- (c) Pass-through entity. As provided in §200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC.

The Washington State Department of Transportation *Guide to Managing Your Public Transportation Grant (For 2017-19 State and Federal Grants Awarded by the Washington State Department of Transportation)*, Chapter 1 – Requirements and Guidelines for All Projects, states in part:

#### Required Single Audits

Grantees that spend federal funds totaling \$750,000 or more in a single fiscal year (regardless of the federal funding source) are required to perform a single audit that meets the requirements of OMB Circular A-133. The audit must be completed and submitted to WSDOT within nine months of the end of your agency’s fiscal year.



**2019-023      The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.**

<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	84.126      Rehabilitation Services – Vocational Rehabilitation Grants to States
<b>Federal Award Number:</b>	H126A170071, H126A180071, H126A190071
<b>Applicable Compliance</b>	Activities Allowed or Unallowed
<b>Component:</b>	Allowable Costs / Cost Principles
<b>Known Questioned Cost Amount:</b>	\$19,898

### ***Background***

The Department of Social and Health Services' (Department) Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory, and/or mental disability. A Department counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department operates and administers the program in accordance with federal regulations, as well as with a State Plan that is approved every four years. The Department spends federal grant money for employment services that are included in a client's individual plan for employment (IPE). The IPE helps a person with a disability prepare for, secure, retain or regain an employment outcome. To ensure that the client is informed and involved in their employment outcome, both the client and a counselor must sign and date the completed IPE after reviewing it. Once an IPE is signed, most services are not allowable unless they are included in the approved IPE.

The Department may also spend federal grant money for pre-employment services that allow the Department to determine eligibility or ability to work and do not need to be in the IPE. While these expenses are not contained in an IPE, they still must be approved and have proper support.

The Department requires all purchases of goods and services on behalf of a client to be pre-approved, using an Authorization for Purchase (AFP). In some cases, a purchase is initiated with a verbal or written commitment to a vendor before an AFP is issued. In this case, a signed AFP must be mailed or given to the vendor within five working days of the commitment being made.

The Department also makes payments to contractors who provide pre-employment transition services for students who are no older than 21 and are eligible, or potentially eligible, for Vocational Rehabilitation services. These contractors submit supporting documentation for these services that includes information about the students they have served.

The Department spent \$47 million in federal program funds in fiscal year 2019, with about \$17 million paid for client services.

In prior audits, we reported that the Department did not have adequate internal controls over and was not compliant with requirements to ensure payments paid on behalf of clients were allowable. The prior finding numbers were 2018-023, 2017-014 and 2016-013.

### *Description of Condition*

The Department did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.

We used a statistical sampling method to randomly select and examine 59 of a total population of 24,083 payments made for client services during fiscal year 2019. We reviewed each payment to determine if it was for an allowable employment service, was either included in a client's IPE or was a pre-employment service, and the AFP was issued after the IPE was signed and before the service was provided.

In 12 cases (20 percent), we found payments were improper. These payments included \$18,061 in federally funded unallowable costs. Specifically, we found:

- Three cases when the Department did not have a valid IPE with the client
- Three cases when the service provided was not in the IPE
- One case when the Department could not provide an AFP or an invoice for the services purchased
- Five cases when the Department did not issue an AFP before the Department ordered the services

We also used a statistical sampling method to randomly select and examine 57 of a total population of 905 payments made to contractors for pre-employment transition services. We found one payment for \$13,173 included \$1,837 in federally funded unallowable costs, because one of the clients served was over 21 years of age.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

Department staff did not follow established policies and procedures to ensure that payments for client services were contained in the client's approved IPE. Also, services were initiated without proper approval. Managerial oversight was not sufficient to detect or prevent these issues.

The Department said the practice for approving certain payments, primarily for post-secondary education and interpreter services, was not in accordance with written procedures for issuing authorizations for payment program-wide.

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

By not having adequate internal controls in place, the Department increases its risk of making improper payments for client services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments using federal funds to be \$1,722,477.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendation***

We recommend the Department:

- Pay for client employment services only when those services are contained in an approved IPE and are adequately supported
- Ensure services are not initiated before being properly approved
- Ensure managers adequately monitor staff to ensure staff follow policies and procedures and federal requirements are met
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

### ***Department’s Response***

*The Department concurs with the finding.*

*While this area has been in past audit findings, we believe that several observations were not noted in those past findings. These new observations provide the Department with an opportunity for additional improvements.*

*To address the issues in the audit, the Department will:*

- *Issue communication to field staff clarifying and reinforcing:*
  - *Client signatures and date requirements.*
  - *Necessary documents in case records.*

- *Review our current policies and procedures in these areas to determine if any changes should be implemented.*
- *Consult with the federal grantor to discuss questioned costs.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a

noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

29 U. S. Code. section 722. Eligibility and individual plan for employment, states in part:

(a) Eligibility

(2) Presumption of benefit

(A) Applicants

For purposes of this section, an individual shall be presumed to be an individual that can benefit in terms of an employment outcome from vocational rehabilitation services under section 705(20)(A) of this title.

(B) Responsibilities

Prior to determining under this subsection that an applicant described in subparagraph (A) is unable to benefit due to the severity of the individual's disability or that the individual is ineligible for vocational rehabilitation services, the designated State unit shall explore the individual's abilities, capabilities, and capacity to perform in work situations, through the use of trial work experiences, as described in section 705(2)(D) of this title, with appropriate supports provided through the designated State unit. Such experiences shall be of sufficient variety and over a sufficient period of time to determine the eligibility of the individual. In providing the trial experiences, the designated State unit shall provide the individual with the opportunity to try different employment experiences, including supported employment, and the opportunity to become employed in competitive integrated employment.

(b) Development of an individual plan for employment

(3) Mandatory procedures

(A) Written document

An individualized plan for employment shall be a written document prepared on forms provided by the designated State unit.

(C) Signatories

An individualized plan for employment shall be—



- (i) agreed to, and signed by, such eligible individual or, as appropriate, the individual's representative; and
- (ii) approved and signed by a qualified vocational rehabilitation counselor employed by the designated State unit.

The Division of Vocational Rehabilitation Customer Services Manual states, in part:

#### Authorization for Purchase (AFP)

All purchases of goods and services on behalf of a DVR customer must be pre-approved using an AFP. An AFP is a legally binding document. When signed by a VR staff, an AFP is a contract between DVR and a registered vendor or DVR customer. The vendor must be registered in STARS before any authorization or verbal commitment is made.

Because the AFP is legally binding:

1. The AFP must include specific information in the AFP description that describes the goods/services authorized for purchase, as well as the dates of service, amounts authorized, and any other conditions related to the service(s) and/or payment. The AFP description should include the item being purchased and any other key identifying information, such as type/make/model, when appropriate. For example, Maxim Keyboard for PC, or Dragon NaturallySpeaking, Preferred Edition; or 2 pairs of pants, 3 shirts, 1 pair of shoes.
2. The Terms and Conditions must be provided to the vendor or customer along with the AFP.

If a verbal or written commitment is made to a vendor, an AFP is issued, signed by the authorized field staff and mailed or given to the vendor within 5 working days of making any verbal or written commitment to a vendor.

Standard Operating Procedure: Purchasing Pre-Employment Transition Services from Vendors for DVR Customers, states in part:

Students with disabilities may participate in these services from as young as 14 until they turn 22 years of age, and must be currently enrolled in a secondary or post-secondary education program.

**2019-024      The Department of Social and Health Services improperly charged \$279,844 to the Vocational Rehabilitation grant.**

<b>Federal Awarding Agency:</b>	U.S. Department of Education
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	84.126      Rehabilitation Services – Vocational Rehabilitation Grants to States
<b>Federal Award Numbers:</b>	H126A170071, H126A180071, H126A190071
<b>Applicable Compliance Component:</b>	Period of Performance
<b>Known Questioned Cost Amount:</b>	\$279,844

***Background***

The Department of Social and Health Services' (Department) Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory, and/or mental disability. A Department counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation Grant.

The Department is responsible for ensuring grant money is used for costs that are allowable and related to each grant's purpose. Each federal grant specifies a performance period during which program costs may be obligated or liquidated. These periods typically align with the federal fiscal year of October 1 through September 30. Payments for costs charged before a grant's beginning date are not allowed without the grantor's prior approval.

The Department spent \$47 million in federal program funds in fiscal year 2019, with about \$17 million paid for client services.

***Description of Condition***

The Department had adequate internal controls to ensure it materially complied with period of performance requirements. However, we found it charged \$279,844 in expenditures to the Vocational Rehabilitation grant for activities that occurred before the grant was authorized to be expended.

The Department did not have prior authorization from the grantor to charge the grant for these expenditures.

This condition was not reported in the prior audit.

***Cause of Condition***

The Department charges centralized costs to programs throughout the Department. There is not sufficient monitoring over this process to ensure only allowable costs are charged to the grant, and the program accounting staff were not aware that some expenditures were being improperly charged in this manner.

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

We are questioning \$279,844 in improperly charged expenditures made to the Vocational Rehabilitation grant.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Charge expenditures to federal grants only if the expenditures are obligated during the period of performance
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department concurs with the finding.*

*The Department will ensure funds are corrected by moving the expenditures to the proper grant year and will develop process and procedures to ensure federal grant expenditures are obligated during the period of performance.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable

discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

**2019-025      The Department of Social and Health Services did not have adequate internal controls to ensure its federal program cost report for the Vocational Rehabilitation grant was accurately prepared.**

**Federal Awarding Agency:** U.S. Department of Education  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 84.126      Rehabilitation Services – Vocational  
Rehabilitation Grants to States  
**Federal Award Number:** H126A170071, H126A180071, H126A190071  
**Applicable Compliance Component:** Reporting  
**Known Questioned Cost Amount:** None

***Background***

The Department of Social and Health Services' (Department) Division of Vocational Rehabilitation provides employment services and counseling to individuals with disabilities who want to work but experience barriers to work because of a physical, sensory and/or mental disability. A Department counselor works with each person to develop a customized plan of services designed to help them reach their employment goal. These services are primarily funded by the Vocational Rehabilitation grant.

The Department must submit a program cost report (RSA-2), which is used to report expenditures for particular services, numbers of clients served, numbers of staff, and amounts transferred in and out of the program. The grantor uses this information to evaluate and monitor the financial performance and achievements of a state's vocational rehabilitation agency. The report must be completed annually, is due by December 31 after the close of the federal fiscal year and must include information about all open grant awards.

In the prior audit, we reported that the Department did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared. The prior finding number was 2018-024.

***Description of Condition***

The Department of Social and Health Services did not have adequate internal controls to ensure its federal program cost report for the Vocational Rehabilitation grant was accurately prepared.

Processes, such as a secondary review, were not in place that would detect errors in the RSA-2 report before the Department submitted it to the federal grantor.

We consider this internal control deficiency to be a material weakness.

***Cause of Condition***

In the prior audit, we confirmed that the person who previously performed the review left the Department, and management did not ensure a secondary review process continued. In the current audit, we determined the Department assigned a staff member to prepare the report and a different

staff member to perform a secondary review. However, at the time the RSA-2 needed to be submitted, the newly assigned staff member had not yet performed a review.

### ***Effect of Condition***

By not establishing adequate internal controls, the Department increases the risk that it could misreport information to the grantor.

### ***Recommendation***

We recommend the Department ensure it performs a secondary review for the next RSA-2 report it must submit.

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

*The Department concurs with the finding.*

*The Department has established written procedures to re-implement secondary reviews for the RSA-2 report. A secondary review was completed for the most recent RSA-2 report which was submitted in December 2019.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

<b>Federal Awarding Agency:</b>	U.S Department of Education
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	84.126      Rehabilitation      Services      -      Vocational Rehabilitation Grants to States
<b>Federal Award Number:</b>	H126A170072, H126A180072, H126A190072
<b>Applicable Compliance Component:</b>	Cash Management
<b>Known Questioned Cost Amount:</b>	None

The Department established a procedure that requires a secondary review before funds are drawn to ensure the process occurs properly. However, during the audit period, there were no secondary reviews performed before the funds were drawn to ensure the amounts drawn were correct based on actual payments.

We consider these internal control deficiencies to be a material weakness.

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

The Department experienced significant turnover prior to the audit period and believed it did not have the resources necessary to ensure draws were made in accordance with the CMIA and secondary reviews were performed.

### ***Effect of Condition***

Violations of the CMIA can result in the grantor denying the state payment or credit for the resulting federal interest liability or other sanctions. Delaying federal drawdown requests also results in state funds being advanced longer than necessary and lost interest revenue for the state.

By not establishing adequate internal controls, the Department cannot ensure that draw amounts they requested were accurate and timely.

### ***Recommendations***

We recommend the Department:

- Improve internal controls to ensure cash draws are performed accurately and in accordance with the state's CMIA agreement
- Provide adequate training to staff to ensure federal draws are performed in a timely manner
- Ensure secondary reviews are performed by staff who understand federal grant requirements

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

*The Department experienced staff turnover in the fiscal unit that affected the level of oversight over the federal draw process. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations. However, the Department continued to experience staff turnover in the positions that performed federal draws.*

*The Department has taken steps to improve internal controls over cash management by hiring a consultant to recommend an organizational structure for the fiscal unit that would improve internal controls. The Department is implementing the consultant's recommendations to hire a Senior Financial Officer (SFO) so that the agency will have a secondary review by someone with an understanding of grant requirements. The SFO will begin working for the agency in February 2020 and training will occur during this time as well. The Senior Financial Officer and the Deputy Financial Officer will be the primary individuals to carry out the federal draw process.*

*The Department also hired a consultant to assist with drafting agency policies and procedures related to cash management. The draft policy and procedures were completed and provided to the agency for review in February 2020. The Department anticipates the final policy, procedures and training will be in place by June 2020.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a

major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is

quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Cash Management Improvement Act Agreement between The State of Washington and The Secretary of the Treasury, United States Department of the Treasury, states, in part:

84.126 Rehabilitation Services -Vocational Rehabilitation Grants to States

Recipient: 315-Department of Services for the Blind- DSB

% of Funds Agency Receives: 16.11

Component: Payments made to clients and to support clients, payroll, and administrative costs

Technique: Modified Direct Program Costs -Admin, Payroll, Payments to Providers (ACH Drawdown on Payroll Cycle) Average Day of Clearance: 0 Days

The State shall request funds for all direct administrative costs and/or payroll costs, and/or payments made to providers and to support providers. The request shall be made in accordance with the appropriate Federal agency cut-off time specified in Exhibit I. The amount of the funds requested shall be based on the amount of expenditures recorded for direct administrative costs and/or payroll costs and/or payments made to providers or to support providers since the last request for funds. The State payroll cycle is payday twice a month. Draws made day before payday are for deposit on payday. The draw request will be made in accordance with cut-off time in Exhibit 1. The amount of the funds requested shall be based on the amount of expenditures recorded for direct administrative costs and/or payroll costs and/or payments made to providers or to support providers since the last request for funds. This funding technique is interest neutral.

**2019-027      The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.**

**Federal Awarding Agency:** U.S. Department of Education  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 84.126      Rehabilitation Services – Vocational  
Rehabilitation Grants to States  
**Federal Award Number:** H126A170072; H126A180072; H126A190072  
**Applicable Compliance Component:** Reporting  
**Known Questioned Cost Amount:** None

***Background***

The Department of Services for the Blind's (Department) Vocational Rehabilitation program provides services for people who are blind, are going blind or have low vision so that they can prepare for and engage in gainful employment. These services are primarily funded by the Vocational Rehabilitation (VR) Grant.

The Department must submit an Annual Vocational Rehabilitation Program/Cost Report (RSA-2), which is used to report expenditures for particular services, numbers of clients served, numbers of staff and amounts transferred in and out of the program. The grantor uses this information to evaluate and monitor the financial performance and achievements of a state's vocational rehabilitation agency. The report must be completed annually and is due by December 31 after the close of the federal fiscal year, and must include information about all open grant awards.

The Department also must submit a Federal Financial Report (SF-425), which is used to report expenditures for federal grants semiannually. The report requires disclosure of cash receipts, disbursements, and cash on hand for the grant during the reporting period. The report also includes disclosure of the indirect costs, program costs, and signature of a certifying individual.

In the previous two audits, we reported the Department did not establish adequate internal controls over and did not comply with federal reporting requirements for the Annual Vocational Rehabilitation Program/Cost Report (RSA-2). The prior finding numbers were 2018-019 and 2017-010.

***Description of Condition***

The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.

The Department established a procedure that requires a secondary review of federal financial reports before the reports are submitted to the grantor to ensure the accuracy of the reports. However, the Department did not perform the secondary review during the audit period.

We consider this internal control deficiency to be a material weakness.



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

The staff who performed the reviews left the Department, and management did not ensure a secondary review of financial reports was performed.

### ***Effect of Condition***

By not implementing an independent secondary review of financial reports, the Department faces a higher risk of not detecting errors and misreporting information to the grantor.

### ***Recommendations***

We recommend the Department strengthen internal controls by performing a secondary review of the RSA-2 and SF-425 reports before submitting them to the grantor.

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

*The Department experienced staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process for the RSA-2 and the RSA-425 reports. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations. However, the Department continued to experience staff turnover in the positions that completed provided a secondary review of federal reports.*

*The Department has taken steps to improve internal controls over financial reports by hiring a consultant to recommend an organizational structure for the fiscal unit that would improve internal controls. The Department is implementing the consultant's recommendations to hire a Senior Financial Officer (SFO) so that the agency will have a secondary review by someone with an understanding of federal reporting requirements. The SFO will begin working for the agency in February 2020 and training will occur during this time as well. The Senior Financial Officer and the Deputy Financial Officer will be the primary individuals to complete, review, approve and submit federal reports.*

*The Department also hired a consultant to assist with drafting agency policies and procedures related to the RSA-2 and the RSA-425 reports. The draft policy and procedures were completed and provided to the agency for review in February 2020. The Department anticipates the final policy, procedures and training will be in place by June 2020.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**2019-028      The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.243      Substance Abuse and Mental Health Services Projects of Regional and National Significance
	93.959      Block Grants for Prevention and Treatment of Substance Abuse
<b>Federal Award Number:</b>	2B08TI010056-17; 2B08T10056-17S1; 3B08TI010056- 18S2; 3B08TI010056-19S1; 6B08TI010056-18M002; 2B08TI010056-19; 7H79TI026797; 7H79TI026798; 7H79TI026799; 7H79SP023015; 5H79SP023015; 7U79SP023011; 1H79SP080980; 3H79SM061705; 7H79SM082187
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the Block Grants for Prevention and Treatment of Substance Abuse. The Authority subawards federal funds to counties, tribes and nonprofit organizations to develop prevention programs and provide treatment and support services. The Authority spent more than \$43.2 million in grant funds during fiscal year 2019. Of this amount, the Authority passed about \$13.6 million to 78 subrecipients.

The Authority also administers the Substance Abuse and Mental Health Services Projects of Regional and National Significance program. The program addresses priority substance abuse treatment, prevention and mental health needs of regional and national significance. The Authority spent more than \$5.8 million in grant funds during fiscal year 2019 and passed about \$1.3 million of this amount to 47 subrecipients, including counties, school districts and nonprofit organizations.

Federal regulations require the Authority to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend \$750,000 or more in federal awards during a fiscal year obtain a single audit. Further, for the awards it passes on to its subrecipients, the Authority must follow up and ensure its subrecipients take timely action on all deficiencies identified through audits and must issue a management decision for audit findings within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

As of July 1, 2018, the operations management of DBHR was transferred from the Department of Social and Health Services (DSHS) to the Authority. The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.

In prior audits, we reported DSHS did not have internal controls over and did not comply with requirements to ensure subrecipients received required audits. The prior finding numbers were 2018-025, 2017-016, 2016-014, 2015-016 and 2014-019.

### *Description of Condition*

The Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.

We found the Authority did not have adequate internal controls in place to verify whether:

- Subrecipients received required audits, if necessary
- Findings were followed up on and management decisions were issued when due

We randomly sampled 14 subrecipients for the Block Grants for Prevention and Treatment of Substance Abuse and 10 subrecipients for the Substance Abuse and Mental Health Services Projects of Regional and National Significance programs. We found three subrecipients for the Block Grants for Prevention and Treatment of Substance Abuse and seven subrecipients for the Substance Abuse and Mental Health Services Projects of Regional and National Significance were not monitored to ensure their compliance with requirements for single audits of subrecipients.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

The Authority did not establish adequate procedures to verify if subrecipients obtained required audits. When DBHR transitioned to the Authority, the Authority did not assign a staff member or unit to perform single audit tracking duties.

In October 2019, the Authority established a subrecipient monitoring workgroup and began the process to determine whether audit monitoring would be handled on a program level, or by a centralized group. However, this activity did not occur during the audit period.

### *Effect of Condition*

Without establishing adequate internal controls, the Authority cannot ensure all subrecipients that met the threshold for a single audit complied with federal grant requirements.

## ***Recommendations***

We recommend the Authority:

- Establish policies and procedures related to subrecipient audit monitoring
- Continue to support its subrecipient monitoring workgroup

## ***Authority's Response***

*The Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services (DSHS) to the Health Care Authority (Authority) in July 2018. The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.*

*As mentioned by the State Auditors, the Authority has already taken steps to address the audit recommendations including establishing a subrecipient monitoring workgroup to define roles and responsibilities for:*

- *Assessing and updating policies and procedures related to subrecipient monitoring*
- *Strengthening internal controls to ensure:*
  - *Subrecipients submit required audits*
  - *Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.*
  - *All audit findings and correction action plans are tracked and management decisions are issued promptly.*

*The Authority will ensure the subrecipient monitoring workgroup continues and the audit recommendations are addressed.*

## ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the

terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.



- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Section 200.521 Management Decisions, states in part:

- (c) Pass-through entity. As provided in § 200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
- (d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Section 200.2900.21 Management decision, states:

In the DOL, ordinarily, a management decision is issued within six months of receipt of an audit from the audit liaison of the Office of the Inspector General and is extended an additional six months when the audit contains a finding involving a subrecipient of the pass-through entity being audited. The pass-through entity responsible for issuing a management decision must do so within twelve months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and should begin corrective action no later than upon receipt of the audit report. (See 2 CFR 200.521(d)).

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when

a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-029      The Department of Social and Health Services did not have adequate internal controls to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.558      Temporary Assistance for Needy Families
<b>Federal Award Number:</b>	1901WATANF;1901WATAN3; 1801WATANF; 1801WATAN3
<b>Applicable Compliance Component:</b>	Activities Allowed / Unallowed Allowable Costs / Cost Principles
<b>Known Questioned Cost Amount:</b>	\$4,382

### ***Background***

The Department of Social and Health Services (DSHS), Community Services Office, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in activities listed in the Individual Responsibility Plan (IRP) through the WorkFirst program, unless the TANF benefits are received only on behalf of a child. TANF funds may be used to pay participants' child care costs to meet one of the program's primary purposes of helping clients obtain employment. If a client obtains employment and is no longer eligible for the program, TANF funds may still be used to pay child care costs to help the client maintain employment.

### ***Working Connections Child Care program***

Washington has established the Working Connections Child Care (WCCC) program to help eligible working families pay for child care. Both the Department of Children, Youth and Families (DCYF) and DSHS administer the program. DCYF is responsible for establishing policies and procedures for the program and for licensing child care providers. DSHS determines client eligibility and pays child care providers under an agreement with DCYF.

### ***Federal grant funding***

Some payments made to WCCC providers for childcare are paid for by both the Child Care and Development Fund (CCDF) grant and the TANF grant. Although the two federal programs are separate, the requirements and policies in Washington for child care payments are consolidated under the WCCC program.

In fiscal year 2019, DSHS made 564,195 monthly child care subsidy payments to child care providers that were paid at least partially with federal CCDF and/or TANF grant funds. Some payments also included state funding. These payments totaled almost \$276.4 million in federal funds, about \$89 million of which came from the TANF grant.

### ***Child care providers***

The WCCC program includes three provider types:

- Licensed centers
- Licensed family homes
- Family, friends and neighbors (FFN)

According to state rules, child care providers must maintain attendance records to support their billing. At a minimum, the records must include: the children's names; date(s) child care was provided; and authorized signatures, typically of a parent or guardian, documenting the times the child arrived and left care.

In the prior audit, we reported DSHS did not have adequate internal controls over and did not comply with federal requirements to ensure payments to child care providers, paid for by TANF funds, were allowable. The prior audit finding numbers were 2018-026, 2017-017 and 2016-019. We have also been reporting on the same condition for the CCDF program since 2005. The most recent audit finding numbers were 2018-034, 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

### *Description of Condition*

We found that the internal control deficiencies identified during our audit of the CCDF program directly affect DSHS use of TANF funds, because the federal grants are commingled when paying WCCC providers.

We found DSHS did not have adequate internal controls to ensure payments to child care providers, paid for by TANF funds, were allowable. Although DCYF and DSHS perform some oversight activities, these were not sufficient to ensure payments were allowable.

We used a statistical sampling method and randomly sampled 133 out of a total population of 564,195 payments for child care to determine if they were allowable. We chose child care payments by totals from each of the three provider types: licensed centers, licensed family homes and FFN's. With assistance from DCYF, we requested attendance records from providers that supported the payments. We reviewed each provider's records to determine if the payments were allowed by federal and state regulations, as well as by DCYF's policies.

We found nine payments with TANF federal funding were partially or fully unallowable. In total, we questioned \$4,382 paid by federal TANF funds.

We found these payments to be partially or fully unallowable because providers:

- Did not submit attendance records in response to our request, or submitted records that were inadequate to support payments
- Overbilled for services not performed or not supported by attendance records
- Billed for overtime when they did not have a written policy in place to also charge these same fees to private paying parents

We consider these internal control deficiencies to be a significant deficiency.

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

Although the authorizations establish a maximum for what providers may bill without further approval, that does not prevent providers from billing for unallowable days, hours or services. The claim and payment system is not linked to authorizations or attendance. Until the child care providers transition over to the new electronic attendance record system, they must maintain attendance records and submit this supporting documentation only when it is requested.

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

By not having adequate internal controls in place, DSHS increases its risk of making improper payments for child care services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments made with federal TANF funds to be \$14,974,543.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Implement preventive internal controls over payments to providers to reduce the rate of unallowable payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with the audit finding.*

*In response to prior audit findings, the Department collaborated with the Department of Children, Youth and Families (DCYF) to procure an electronic attendance record system. The electronic attendance record system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage.*

*Effective December 1, 2018 (about halfway through the 2019 audit period), licensed providers who accept subsidy are required to use DCYFs electronic attendance record system or an approved third party system to track attendance. Effective November 30, 2019 (about halfway through the 2020 audit period), FFN providers are also required to use DCYFs system or an approved third party system for tracking attendance. Based on the effective dates above, we likely will not see the full benefit of the electronic attendance record system until the state fiscal year 2021 audit which will span the period of July 1, 2020 to June 30, 2021.*

*Of the nine exceptions cited, the Department **concurs** that six of these payments were partially or fully unallowable. We will work with the DCYF to establish overpayments where appropriate and refer it to the Office of Financial Recovery for collection.*

*The Department **does not** concur that three of these payments were unallowable. The auditor found these payments to be unallowable because the provider submitted records for the correct month, but not for the child sampled. The Department was not given the opportunity to follow-up with the providers for the missing attendance records as historically allowed in prior audits.*

*Upon review of the preliminary exceptions, when the Department first learned of the missing records, we worked with DCYF to reach out to the providers for the missing attendance records. The Department obtained the attendance records for one of the three payments in question. We provided the attendance records to the auditor prior to publication of the audit report.*

*The Department will continue to follow-up with the providers to obtain the missing attendance records for the remaining two payments, and determine the appropriate next steps.*

*If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with Department of Health and Human Services and will take appropriate action.*

### ***Auditor's Remarks***

The Department states it had no opportunity to follow up with the providers whom we received attendance records from, but that did not include records for the child that was being tested. Our request to the providers was specific and they were to provide records for all children for the month selected. Because we received records from these providers, we did not believe additional records were needed.

We received additional records from the Department after field work had ended and did not consider them in the audit. We recommend the Department maintain the records in case the federal grantor requests them during audit resolution.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

### Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the

auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

45 CFR Subpart A, 260.20, What is the purpose of the TANF program? states:

The TANF program has the following four purposes:

- (a) Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- (b) End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;

- (c) Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- (d) Encourage the formation and maintenance of two-parent families.

Washington Administrative Code 110-15-0034 Providers' responsibilities, states:

Child care providers who accept child care subsidies must do the following:

- (1) Licensed or certified child care providers who accept child care subsidies must comply with all child care licensing or certification requirements contained in this chapter, chapter 43.216 RCW and chapters 110-06, 110-300, 110-300A, 110-300B, and 110-305 WAC.
- (2) In-home/relative child care providers must comply with the requirements contained in this chapter, chapter 43.216 RCW, and chapters 110-06 and 110-16 WAC.
- (3) In-home/relative child care providers must not submit an invoice for more than six children for the same hours of care.
- (4) All child care providers must use DCYF's electronic attendance recordkeeping system or a DCYF-approved electronic attendance recordkeeping system as required by WAC 110-15-0126. Providers must limit attendance system access to authorized individuals and for authorized purposes, and maintain physical and environmental security controls.
  - (a) Providers using DCYF's electronic recordkeeping system must submit monthly attendance records prior to claiming payment. Providers using a DCYF-approved electronic recordkeeping system must finalize attendance records prior to claiming payment.
  - (b) Providers must not edit attendance records after making a claim for payment.
- (5) All child care providers must complete and maintain accurate daily attendance records. If requested by DCYF or DSHS, the provider must provide to the requesting agency the following records:
  - (a) Attendance records must be provided to DCYF or DSHS within twenty-eight calendar days of the date of a written request from either department.
  - (b) Pursuant to WAC 110-15-0268, the attendance records delivered to DCYF or DSHS may be used to determine whether a provider overpayment has been made and may result in the establishment of an overpayment and in an immediate suspension of the provider's subsidy payment.
- (6) All child care providers must maintain and provide receipts for billed field trip/quality enhancement fees as follows. If requested by DCYF or DSHS, the provider must provide the following receipts for billed field trip/quality enhancement fees:
  - (a) Receipts from the previous twelve months must be available immediately for review upon request by DCYF;

- (b) Receipts from one to five years old must be provided within twenty-eight days of the date of a written request from either department.
- (7) All child care providers must collect copayments directly from the consumer or the consumer's third-party payor, and report to DCYF if the consumer has not paid a copayment to the provider within the previous sixty days.
- (8) All child care providers must follow the billing procedures required by DCYF.
- (9) Child care providers who accept child care subsidies must not:
  - (a) Claim a payment in any month a child has not attended at least one day within the authorization period in that month; however, in the event a ten-day notice terminating a provider's authorization extends into the following month, the provider may claim a payment for any remaining days of the ten calendar day notice in that following month;
  - (b) Claim an invoice for payment later than six months after the month of service, or the date of the invoice, whichever is later; or
  - (c) Charge consumers the difference between the provider's customary rate and the maximum allowed state rate.
- (10) Licensed and certified providers must not charge consumers for:
  - (a) Registration fees in excess of what is paid by subsidy program rules;
  - (b) Days for which the child is scheduled and authorized for care but absent;
  - (c) Handling fees to process consumer copayments, child care services payments, or paperwork;
  - (d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or
  - (e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.
- (11) Providers who care for children in states bordering Washington state must verify they are in compliance with their state's licensing regulations and notify DCYF within ten days of any suspension, revocation, or changes to their license.

Washington Administrative Code 110-15-0190 WCCC benefit calculations, states:

- (1) The amount of care a consumer may receive is determined by DSHS at application or reapplication. Once the care is authorized, the amount will not be reduced during the eligibility period unless:
  - (a) The consumer requests the reduction;
  - (b) The care is for a school-aged child as described in subsection (3) of this section; or
  - (c) Incorrect information was given at application or reapplication.
- (2) To determine the amount of weekly hours of care needed, DSHS reviews:
  - (a) The consumer's participation in approved activities and the number of hours the child attends school, including home school, which will reduce the amount of care needed.
  - (b) In a two parent household, the days and times approved activities overlap, and only authorize care during those overlapping times. The

consumer is eligible for full-time care if overlapping care totals one hundred ten hours in one month.

- (c) DSHS will not consider the schedule of a parent in a two parent household who is not able to care for the child.
- (3) Full-time care for a family using licensed providers is authorized when the consumer participates in approved activities at least one hundred ten hours per month:
  - (a) Twenty-three full-day units per month will be authorized when the child needs care five or more hours per day;
  - (b) Thirty half-day units per month will be authorized when the child needs care less than five hours per day;
  - (c) Forty-six half-day units per month will be authorized during the months of June, July, and August for a school-aged child who needs five or more hours of care;
  - (d) Supervisor approval is required for additional days of care that exceeds twenty-three full days or thirty half days per month; and
  - (e) Care cannot exceed sixteen hours per day, per child.
- (4) Full-time care for a family using in-home/relative providers (family, friends and neighbors) is authorized when the consumer participates in approved activities at least one hundred ten hours per month:
  - (a) Two hundred thirty hours of care will be authorized when the child needs care five or more hours per day;
  - (b) One hundred fifteen hours of care will be authorized when the child needs care less than five hours per day;
  - (c) One hundred fifteen hours of care will be authorized during the school year for a school-aged child who needs care less than five hours per day and the provider will be authorized for contingency hours each month, up to a maximum of two hundred thirty hours;
  - (d) Two hundred thirty hours of care will be authorized during the school year for a school-aged child who needs care five or more hours in a day;
  - (e) Supervisor approval is required for hours of care that exceed two hundred thirty hours per month; and
  - (f) Care cannot exceed sixteen hours per day, per child.
- (5) When determining part-time care for a family using licensed providers and the activity is less than one hundred ten hours per month:
  - (a) A full-day unit will be authorized for each day of care that exceeds five hours;
  - (b) A half-day unit will be authorized for each day of care that is less than five hours; and
  - (c) A half-day unit will be authorized for each day of care for a school-aged child, not to exceed thirty half days.
- (6) When determining part-time care for a family using in-home/relative providers:
  - (a) Under the provisions of subsection (2) of this section, DSHS will authorize the number of hours of care needed per month when the activity is less than one hundred ten hours per month; and

- (b) The total number of authorized hours and contingency hours claimed cannot exceed two hundred thirty hours per month.
- (7) DSHS determines the allocation of hours or units for families with multiple providers based upon the information received from the parent.
- (8) DSHS may authorize more than the state rate and up to the provider's private pay rate if:
  - (a) The parent is a WorkFirst participant; and
  - (b) Appropriate child care, at the state rate, is not available within a reasonable distance from the approved activity site. "Appropriate" means licensed or certified child care under WAC 110-15-0125, or an approved in-home/relative provider under WAC 110-16-0010. "Reasonable distance" is determined by comparing distances other local families must travel to access appropriate child care.
- (9) Other fees DSHS may authorize to a provider are:
  - (a) Registration fees;
  - (b) Field trip fees;
  - (c) Nonstandard hours bonus;
  - (d) Overtime care to a licensed provider who has a written policy to charge all families, when care is expected to exceed ten hours in a day; and
  - (e) Special needs rates for a child.

Washington Administrative Code 110-15-0249 Nonstandard hours bonus, states:

- (1) A consumer's provider may receive a nonstandard hours bonus (NSHB) payment per child per month for care provided if:
  - (a) The provider is licensed or certified;
  - (b) The provider provides at least thirty hours of nonstandard hours care during one month; and
  - (c) The total cost of the NSHB to the state does not exceed the amount appropriated for this purpose by the legislature for the current state fiscal year.
- (2) Nonstandard hours are defined as:
  - (a) Before 6 a.m. or after 6 p.m.;
  - (b) Any hours on Saturdays and Sundays; and
  - (c) Any hours on legal holidays, as defined in RCW [1.16.050](#).
- (3) NSHB amounts are:
  - (a) Seventy-six dollars and fifty cents for family homes; and
  - (b) Seventy-five dollars for centers.

**2019-030      The Department of Social and Health Services did not have adequate internal controls in place to ensure it submitted accurate quarterly reports for the Temporary Assistance for Needy Families grant.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.558 Temporary Assistance for Needy Families  
**Federal Award Number:** 1801WATANF, 1801WATAN3, 1901WATANF, 1901WATAN3  
**Applicable Compliance Component:** Reporting  
**Known Questioned Cost Amount:** None

***Background***

The Department of Social and Health Services, Community Services Division (Department), administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through the Work First program, with limited exceptions. State agencies must meet or exceed minimum annual work participation rates of 50 percent overall and 90 percent for two parents. The Department spent more than \$324 million in federal grant funds during fiscal year 2019.

Federal regulations require the Department to file quarterly reports that include work participation data at summary and individual levels. The Department must file separate reports for its federal TANF program and state programs. The proper reporting of work participation data is critical because it serves as the basis for the federal government's determination of whether states have met the required work participation rates. A penalty might apply for failure to meet the required rates.

In prior audits, we reported the Department did not have adequate internal controls in place to ensure it submitted accurate quarterly reports. The prior finding numbers were 2018-028, 2017-020 and 2016-016.

***Description of Condition***

The Department did not have adequate internal controls in place to ensure it prepared accurate quarterly reports for the TANF grant.

Data is extracted from large databases and then transformed with customized code to produce the amounts cited in the reports. The Department performed informal, manual reviews in an attempt to ensure coding changes were applied properly. We found these reviews were not adequate to ensure the Department properly identified and reviewed all changes. Additionally, the reviews were not sufficiently documented. For these reasons, we could not evaluate if internal controls were in place and effective.

When existing code needed to be changed or new code was added, staff from the TANF program and other programs managed by the Department were involved in the decision process. This collaboration happened during meetings and email communications. There was no formal



documentation or tracking of requests. If there was review, it was not documented, so we could not verify whether the control was in place and operating effectively. Without an automated process to monitor these changes in code, the Department cannot ensure all changes were authorized.

We consider these internal control weaknesses to constitute a significant deficiency. We were able to examine other supporting data not used by the report preparers to verify the amounts reported by the Department were materially accurate.

### *Cause of Condition*

Management believed its informal review and testing of new coding was sufficient to ensure accuracy and completeness of the data. Written policies or procedures regarding the process for making changes to code and reviewing those changes have not been implemented.

### *Effect of Condition*

Because it did not perform adequate reviews, the Department cannot ensure data used for reporting purposes was accurate. The Department could become noncompliant with grant terms, which would allow the grantor to penalize the Department 4 percent of the grant for each quarter if the state fails to submit accurate, complete and timely reports, and up to 21 percent for not meeting minimum participation rates.

### *Recommendations*

We recommend the Department establish adequate internal controls to ensure it:

- Tracks changes made to code and that records indicate who made the changes
- Performs and documents independent reviews of code changes
- Establishes written policies or procedures that describe the roles and responsibilities of staff who make coding changes and management who review the changes

### *Department's Response*

*The Department partially agrees with the audit finding.*

*We concur corrective actions were not fully implemented during fiscal year 2019. By September 2019 though, corrective actions were implemented.*

*In response to the 2018-028 TANF Reporting finding, the Department established written code change policies and procedures, and developed a process to track code changes. These controls were implemented in September 2019, a few months after the Fiscal Year 2019 audit period ended. The Department and the State Auditor's Office will not see the full benefit of these corrective actions until the state fiscal year 2020 audit. Specifically the Department implemented:*

- *IT industry standard formal change control procedures and change control logs in the replacement TANF Federal Reporting System. The Change Control Procedure includes*

written descriptions of the roles and responsibilities of staff who make coding changes and management who review the changes.

- *Microsoft Team Foundation Server (TFS) for source code control, testing and QA activities for the replacement TANF Reporting System. We have also adopted the use of a technical assessment form to be completed when changes are requested to the TANF Federal Reporting process. Technical Assessment Forms are subject to independent review and approval by the TANF Reporting Manager before code changes are executed.*

*In addition, the Department is currently recruiting for a position to perform and document independent reviews and testing of code changes developed by the TANF Federal Reporting Data Manager prior to deployment to the production environment of the replacement TANF Reporting System.*

*The Department continues to conduct quality assurance processes for each report, by having the Manager review identified potential fatal and warning edits. We also conduct ongoing quarterly internal control/quality assurance random sampling of the 199 and 209 reported cases. The sample cases are reviewed against source data system records for correctness. A summary of the QA results are reviewed by the manager and assigned for correction as needed. The Department provided documentation of this process to the State Auditor.*

*The Department will ensure:*

- *The use of the formal change control procedures and change control logs in the replacement TANF Federal Reporting System.*
- *Implementation of independent review and documentation of all code changes.*
- *Use of MS Team Foundation Server for our code repository.*
- *Ongoing updates to documentation throughout the production of TANF Federal Reports using the current TANF Reporting System.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should

be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

## Title 45, Code of Federal Regulations

### Section 265.3 – What reports must the State file on a quarterly basis, states in part:

- (a) Quarterly reports
  - (1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report
  - (2) Each State that claims MOE expenditures for a separate State program(s) must collect on a monthly basis, and file on a quarterly basis, the data specified in the SSP-MOE Data Report.
- (b) *TANF Data Report.* The TANF Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.
  - (1) *Disaggregated Data on Families Receiving TANF Assistance – Section one.* Each State must file disaggregated information on families receiving TANF assistance. This section specifies identifying and demographic data such as the individual’s Social Security Number and information such as the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided by both adults and children.
  - (2) *Disaggregated Data on Families No Longer Receiving TANF Assistance - Section two.* Each State must file disaggregated information on families no longer receiving TANF assistance. This section specifies the reasons for case closure and data similar to the data required in section one.
  - (3) *Aggregated Data - Section three.* Each State must file aggregated information on families receiving, applying for, and no longer receiving TANF assistance. This section of the TANF Data Report requires aggregate figures in such areas as: The number of applications received and their disposition; the number of recipient families, adult recipients, and child recipients; the number of births and out-of-wedlock births for families receiving TANF assistance; the number of noncustodial parents participating in work activities; and the number of closed cases.

- (4) *Aggregated Caseload Data by Stratum-Section four.* Each State that opts to use a stratified sample to report the quarterly TANF disaggregated data must file the monthly caseload data by stratum for each month in the quarter.
- (d) *SSP-MOE Data Report.* The SSP-MOE Data Report consists of four sections. Two sections contain disaggregated data elements and two sections contain aggregated data elements.
- (1) *Disaggregated Data on Families Receiving SSP-MOE Assistance - Section one.*  
Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families receiving SSP-MOE assistance. This section specifies identifying and demographic data such as the individual's Social Security Number, the amount of assistance received, educational level, employment status, work participation activities, citizenship status, and earned and unearned income. The data must be provided for both adults and children.
- (2) *Disaggregated Data on Families No Longer Receiving SSP-MOE Assistance - Section two.* Each State that claims MOE expenditures for a separate State program(s) must file disaggregated information on families no longer receiving SSP-MOE assistance. This section specifies the reasons for case closure and data similar to the data required in section one.
- (3) *Aggregated Data - Section three.* Each State that claims MOE expenditures for a separate State program(s) must file aggregated information on families receiving and no longer receiving SSP-MOE assistance. This section of the SSP-MOE Data Report requires aggregate figures in such areas as: The number of recipient families, adult recipients, and child recipients; the total amount of assistance for families receiving SSP-MOE assistance; the number of non-custodial parents participating in work activities; and the number of closed cases.
- (4) *Aggregated Caseload Data by Stratum - Section four.* Each State that claims MOE expenditures for a separate State program(s) and that opts to use a stratified sample to report the SSP-MOE quarterly disaggregated data must file the monthly caseload by stratum for each month in the quarter.
- (e) *Optional data elements.* A State has the option not to report on some data elements for some individuals in the TANF Data Report and the SSP-MOE Data Report, as specified in the instructions to these reports.
- (f) *Non-custodial parents.* A State must report information on a non-custodial parent (as defined in § 260.30 of this chapter) if the non-custodial parent:
- (1) Is receiving assistance as defined in § 260.31 of this chapter;

- (2) Is participating in work activities as defined in section 407(d) of the Act; or
- (3) Has been designated by the State as a member of a family receiving assistance.

#### Title 45, Code of Federal Regulations

##### Section 262.1 What penalties apply to States [states in part]?

- (a) We will assess fiscal penalties against States under circumstances defined in parts 261 through 265 of this chapter. The penalties are:
  - (1) A penalty of the amount by which a State misused its TANF funds;
  - (2) An additional penalty of five percent of the adjusted SFAG if such misuse was intentional;
  - (3) A penalty of four percent of the adjusted SFAG for each quarter a State fails to submit an accurate, complete and timely required report;
  - (4) A penalty of up to 21 percent of the adjusted SFAG for failure to satisfy the minimum participation rates

**2019-031      The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure quarterly and annual reports for the Temporary Assistance for Needy Families grant were submitted accurately.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.558 Temporary Assistance for Needy Families  
**Federal Award Number:** 1901WATANF;1901WATAN3; 1801WATANF; 1801WATAN3  
**Applicable Compliance Component:** Reporting  
**Known Questioned Cost Amount:** None

***Background***

The Department of Social and Health Services (Department), Community Services Division, administers the Temporary Assistance for Needy Families (TANF) grant that provides temporary cash assistance for families in need. To receive TANF benefits, participants must be engaged in entering the work force through the Work First program, with limited exceptions.

The Department spent about \$324 million in federal grant funds during state fiscal year 2019. In addition, the Department reported the state spent about \$620 million in state funds toward meeting a maintenance of effort (MOE) requirement for the federal fiscal year 2018 grant. This amount includes about \$480 million in expenditures made by other state agencies. When reporting the expenditures of other participants, the Department must ensure the amounts reported are accurate and complete, or enter into a written agreement with the other agencies specifying that they will do so.

***Quarterly financial reports***

Federal regulations require the Department to file quarterly financial reports that include details on how both federal and state TANF funds are spent. The Department collects information on a monthly basis and files the federal reports on a quarterly basis. The Department must file a quarterly report for each federal grant that is open. At the end of each federal year, the report must include federal and state MOE expenditures.

***Annual report***

The Department must also file an annual report that contains detailed information on the state's MOE spending for that year. The total MOE expenditures reported on the quarterly financial report at federal fiscal year end must match the expenditures reported on the separate annual report. The Department must keep records that show all costs are allowable and, if from an entity that is not part of the state government, verifiable.

In our previous four audits, we reported in findings that the Department did not have adequate internal controls over submitting quarterly and annual reports for the TANF program. The prior year finding numbers are 2018-029, 2017-021, 2016-018 and 2015-021.



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

The Department did not have adequate internal controls over and did not comply with requirements to ensure quarterly and annual reports for the TANF grant were submitted accurately.

The Department did not maintain adequate documentation to support its reported \$480 million in MOE expenditures. Specifically, the Department accepted attestations from agencies regarding their MOE expenditures. Though the Department provided client data to these agencies for use in identifying potentially eligible expenditures, it did not obtain accounting records to confirm the amounts these agencies provided were accurate and adequately supported.

The Department also did not use accounting records to support one of four quarterly reports tested. Instead, it used prior report information to complete the report. Management approved the report for submittal even though it was not accurate and not supported by accounting records.

The Department also made a data entry error of \$1 million on one of four quarterly reports tested.

We consider these internal control weaknesses to constitute a material weakness.

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

During the audit period, the Department updated its policies and procedures to address the previously identified internal control weaknesses. However, these changes were not implemented by the end of the audit period. Staff who prepared the reports during fiscal year 2019 again relied on communication protocol, data exchange processes and attestations from other state agencies, and believed this was sufficient to ensure the reported amounts were correct.

For the report that was prepared using data from a prior report, the Department was short staffed and management did not ensure the employee covering this task had the capacity or time to prepare the report. The process to prepare the report can take one to two weeks. If the Department did not submit the report, the grant funds would be at risk. The Department weighed the risks and made the decision to submit the report using data from a prior report knowing the quarterly reports are cumulative and would be corrected with submission of the next quarterly report.

### ***Effect of Condition***

Not ensuring the accuracy of the required quarterly and annual reports diminishes the federal government's ability to monitor grant funds. Additionally, grant terms allow the grantor to penalize the Department for noncompliance, including suspending or terminating the award.

### ***Recommendations***

We recommend the Department:

- Verify expenditures reported by other state agencies to ensure they are allowable to count as MOE and adequately supported by accounting records

- Maintain adequate documentation to support reports filed with its federal grantor
- Only submit reports that are supported by complete and accurate information

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

*The Department partially concurs with the overall findings of the SAO.*

*The Department concurs we did not use accounting records to support one of four quarterly reports tested. The Department was short staffed and the employee covering this task did not have the capacity or time to prepare the report. If the Department did not submit the report on time, the grant funds would be at risk. The Department weighed the risks and made the decision to submit the report using data from a prior report knowing the quarterly reports are cumulative. The Department corrected the error with submission of the next quarterly report.*

*As an immediate fix to ensure we only submit reports that are supported by complete and accurate information, the Administrator is assisting the employee responsible for preparing and submitting the quarterly reports as needed. However, this is not a sustainable coverage plan.*

*As a long term solution to address the staffing issue, the Department will request an additional full time accounting position that will be responsible for managing the Temporary Assistance for Needy Families (TANF) grant to include preparation and submission of the quarterly reports. In addition, this position will be responsible for creating a sustainable emergency backup plan to ensure coverage during absences, as well as strengthening and enhancing the internal controls.*

*The Department also concurs we made a data entry error of \$1 million on one of four quarterly reports tested. The Department previously discovered the error and corrected in a subsequent quarterly report prior to this audit.*

*In addition, following the discovery of this error (almost a year ago and prior to this audit), the Department implemented a secondary review process to prevent data entry errors. The Department continues to only submit reports that are supported by complete and accurate information.*

*The Department does not concur with SAOs statement that we did not maintain adequate documentation to support our reported \$480 million in Maintenance of Effort (MOE) expenditures of other state agencies.*

*In audit finding 2016-017, SAO stated the Department failed to review final expenditure data from outside agencies to determine whether the expenditures are allowable, supported and correct. The Department disagreed with this statement as we believe the use of attestations between the Department and other state agencies satisfies 45 CFR section 263.2(e) (1): "The expenditure is verifiable and meets all applicable requirements in 45 CFR 92.3 and 92.24."*

*During the National External Audit Review process (A-10-17-31715, recommendation code: 317908100), the Administration for Children & Families (ACF) reviewed audit finding 2016-017 including our agency response and supporting documentation which spoke to the use of attestations. ACF's decision regarding this finding as outlined in the NEAR Results letter states:*

*“While we sustain the finding and recommendations, we will not pursue a TANF penalty action. The DSHS has taken positive steps toward meeting the MOE compliance requirements. Additionally, the auditor had determined that the DSHS did not maintain required level of State expenditures for the period reviewed. The ACF Office of Grants management Region 10 has reviewed the updated procedures and feels the appropriate action has been taken to meet level of effort requirements.”*

*The following year SAO issued repeat finding 2017-019 stating again that the Department did not review final expenditure data from outside agencies to determine whether the expenditures were allowable and adequately supported. Although the Department disagreed with this statement, and ACFs decision on the prior audit finding stated the Department has taken the appropriate action to meet level of effort requirements, the Department added an additional control by updating the attestations to include written declarations at the beginning of each year to ensure the previous year’s sources are viable for the current fiscal year.*

*The written declarations give the Department the opportunity to discuss current program operations, allowable activities and expenditures, and develop a projection of expenditures with the partnering source. The Department also reviews partners’ methodologies and record management protocols, and offers training and assistance as needed.*

*In addition, the Department implemented a quarterly monitoring/reporting schedule for all MOE sources, to ensure reported expenditures are allowable and accurate in a timely manner. The Department uses the aforementioned processes in addition to attestations to review, to the best of our ability that all expenditures are accurate, verifiable, not used for any other federal matching purpose, and adequately supported. The Department maintains all supporting documentation locally and electronically to support reports filed with the federal grantor.*

*While the Department does not disagree with the SAO that we should verify expenditures to the best of our ability, when unable to do so due to data sensitivity issues, we believe our compensating controls satisfy the regulations as set forth in Title 45 Section 263.2(1)(e) to ensure expenditures are “verifiable”.*

*ACF is still performing the National External Audit Review for the 2017 and 2018 Statewide Single Audit findings. We look forward to receiving their audit decision. In the meantime, the Department consulted with the Office of Financial Management and determined the department will continue with our current processes unless we receive updated guidance from OFM or ACF on establishing alternative internal controls.*

### ***Auditor’s Remarks***

The Department refers to communications with the grantor regarding prior audit finding 2016-017. This finding was issued for a different compliance requirement (level of effort) than this finding (reporting). While the issues identified in that finding were similar, the federal requirements are not. In addition, many of the actions that the Department specified would be taken in their corrective action plan for that finding were not completed in the manner or timelines specified. The most important of these was that the Department would develop an improved protocol to ensure the expenditures were allowable, supported and accurate. While this process would have likely resolved the reported issues, these improvements have not been implemented.

Additionally, both program and RDA staff confirmed that, other than an excel spreadsheet showing totals and a certification, no further supporting documentation was received by the Department to confirm the expenditures that were claimed, how calculations were performed or if the totals were reviewed prior to being sent to the Department.

The reference to U.S. Code of Federal Regulations 45 Section 263.(1)(e) as justification for only ensuring expenditures are verifiable does not apply to expenditures claimed from other state agencies, only other entities such as local governments. This has been conveyed to the Department verbally during the last three audits, as well as in writing in the Auditor's Response to finding 2018-029 last year. The Department continues to misinterpret this federal regulation. The federal grantor also made this distinction, in the letter referenced by the Department, in their decision for finding 2016-018, for which this is a repeat finding. In that response, the grantor references U.S. Code of Federal Regulations 45 CFR 75.302 (b) as follows:

Regarding the reporting and documenting of MOE expenditures, the ACF reminds the DSHS of the following statutory requirements that address the requirement for adequate documentation of expenditure data reported:

“(b) The financial management system . . . must provide for the following . . . (3) Records that identify adequately the source and application of funds for federally funded activities. **These records must . . . be supported by source documentation.**” (text bolded by grantor)

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

#### Title 45, Code of Federal Regulations

Section 265.3 – What reports must the State file on a quarterly basis, states in part:

(a) Quarterly reports

(1) Each State must collect on a monthly basis, and file on a quarterly basis, the data specified in the TANF Data Report and the TANF Financial Report

Section 263.2 – What kinds of State expenditures count toward meeting a State's basic MOE expenditure requirement, states in part:

(e) Expenditures for benefits or services listed under paragraph (a) of this section may include allowable costs borne by others in the State (e.g., local government), including cash donations from non-Federal third parties (e.g., a non-profit organization) and the value of third party in-kind contributions if:

- (1) The expenditure is verifiable and meets all applicable requirements in 45 CFR 75.2 and 75.306;
- (2) There is an agreement between the State and the other party allowing the State to count the expenditure toward its MOE requirement; and,
- (3) The State counts a cash donation only when it is actually spent.

Section 265.9 What information must the State file annually, states in part:

(a) Each State must file an annual report containing information on the TANF program and the State's MOE program(s) for that year. The report may be filed as:

- (1) An addendum to the fourth quarter TANF Data Report; or
- (2) A separate annual report.

(c) Each State must provide the following information on the State's program(s) for which the State claims MOE expenditures:



- (1) The name of each program and a description of the major activities provided to eligible families under each such program;
  - (2) Each program's statement of purpose;
  - (3) If applicable, a description of the work activities in each separate State MOE program in which eligible families are participating;
  - (4) For each program, both the total annual State expenditures and the total annual State expenditures claimed as MOE;
  - (5) For each program, the average monthly total number or the total number of eligible families served for which the State claims MOE expenditures as of the end of the fiscal year;
  - (6) The eligibility criteria for the families served under each program/activity;
  - (7) A statement whether the program/activity had been previously authorized and allowable as of August 21, 1996, under section 403 of prior law;
  - (8) The FY 1995 State expenditures for each program/activity not authorized and allowable as of August 21, 1996, under section 403 of prior law (see § 263.5(b) of this chapter); and
  - (9) A certification that those families for which the State is claiming MOE expenditures met the State's criteria for "eligible families."
- (d) If the State has submitted the information required in paragraphs (b) and (c) of this section in the State Plan, it may meet the annual reporting requirements by reference in lieu of re-submission. If the information in the annual report has not changed since the previous annual report, the State may reference this information in lieu of re-submission.

#### Section 265.10 When is the annual report due?

The annual report required by § 265.9 is due at the same time as the fourth quarter TANF Data Report.

#### Section 265.4 When are quarterly reports due?

- (a) Each State must file the TANF Data Report and the TANF Financial Report (or, as applicable, the Territorial Financial Report) within 45 days following the end of the quarter or be subject to a penalty.
- (b) Each State that claims MOE expenditures for a separate State program(s) must file the SSP-MOE Data Report within 45 days following the end of the quarter or be subject to a penalty.
- (c) A State that fails to submit the reports within 45 days will be subject to a penalty unless the State files complete and accurate reports before the end of the fiscal quarter that immediately succeeds the quarter for which the reports were required to be submitted.



**2019-032      The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.558      Temporary Assistance for Needy Families
	93.575      Child Care and Development Block Grant
	93.596      Child Care Mandatory and Matching Funds
	of the Child Care and Development Fund
<b>Federal Award Number:</b>	G1901WACCDF; G1801WACCDF; G1701WACCDF; 1901WATANF; 1901WATAN3; 1801WATANF; 1801WATAN3
<b>Applicable Compliance Component:</b>	Eligibility
<b>Known Questioned Cost Amount:</b>	Temporary Assistance for Needy Families - \$3,265 Child Care and Development Fund - \$59,223

### ***Background***

The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, administers the federal Child Care and Development grant (CCDF) to help eligible working families pay for child care. The Department of Social and Health Services (DSHS) determines client eligibility and pays child care providers under an agreement with DCYF. The Temporary Assistance for Needy Families (TANF) grant funds may be used to pay clients' child care costs to meet one of the program's primary purposes of helping clients obtain employment. If a client obtains employment and is no longer eligible for the program, TANF funds may still be used to pay child care costs to help the client maintain employment.

In fiscal year 2019, the Departments paid child care providers about \$276 million in CCDF and TANF federal grant funds.

Some payments made for child care are paid for by both the CCDF and TANF grants. While the two federal programs are separate, the requirements and policies in Washington for child care payments are consolidated under the Working Connections Child Care program.

For a family to be eligible for child care assistance, state and federal rules require that children:

- Be younger than 13 at application (with some exceptions);
- Reside with a family whose income does not exceed 200 percent of the federal poverty level at application or 220% at re-application;
- Reside with a family whose income does not increase to over 85 percent of state, territorial or tribal median income for a family of the same size; and
- Reside with a parent(s) or guardian who work or attend a job-training or education program, or need to be receiving protective services.

State rules describe the information that clients must provide to DSHS to verify their eligibility. DSHS must complete client eligibility determinations within 30 days, or the application process must start over. The information must be accurate, complete, consistent and from a reliable source. This information includes, but is not limited to, employer and hourly wage information, proof of an approved activity under TANF, and family household size and composition.

Once determined to be eligible for the program, a client is eligible for one year unless a change in income causes the client to exceed 85 percent of the state's median income. DSHS requires that clients self-report such income changes. If the client's new income exceeds this cutoff level, DSHS must determine if the client exceeded the threshold temporarily, or should be denied services.

DSHS has access to systems that contain wage and household benefit and composition data for some, but not all, child care recipients. DSHS uses this information in part to determine program eligibility, benefit level including client co-payment and the amount of child care the family is eligible to receive. If an ineligible client receives assistance, the payment made to the child care provider is not allowable by federal regulations.

In the past six single audits for Washington, we reported in findings that DSHS did not have adequate internal controls over the eligibility process for child care subsidy recipients. The three most recent audits also reported DSHS was materially non-compliant with federal requirements. These were reported as finding numbers 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.

As of July 1, 2019, the responsibility for making and documenting child care eligibility determinations under the CCDF and TANF grants was transitioned from DSHS to DCYF.

### *Description of Condition*

DSHS did not have adequate internal controls to ensure it correctly determined and adequately documented clients were eligible before paying child care providers.

During the audit period, 39,202 households were determined to be eligible for child care. We used a statistical sampling method to randomly select and examine 86 of these determinations. In 14 instances (16 percent), we found DSHS made eligibility determinations improperly, did not obtain required documentation or did not verify information before authorizing services. Specifically, we found:

- 13 cases (15 percent) when the Department did not obtain sufficient information to make an accurate determination at the time of application, approval, and/or authorization:
  - Nine cases (10 percent) where the Department incorrectly determined the household composition. In five of these cases, the client was not eligible to receive services because at least one parent was not in an approved activity. In another two cases, the household had both parents working, but had exceeded income limits. The remaining two had both parents working and, while they may have been within income limits, the Department obtained information for only one parent.
  - Three cases (3 percent) when the Department did not obtain complete or timely wage data to determine if the household met income eligibility requirements or to determine the correct level of care assessed and co-pay required. The Department received partial

information or had extended timeframes for verifying this data, but never followed up on the remaining income documentation.

- One case (1 percent) when the Department did not verify hours for job search activities, but instead entered a standard 40-hour workweek schedule and approved the household for care. The Department did not initially obtain or record documentation to support the care authorized.
- One case (1 percent) when the Department had obtained adequate information, but incorrectly entered the income data for the household, causing it to incorrectly assess the household's monthly co-pay amount.

DSHS performs multiple types of internal audits in relation to the CCDF program. These audits usually have a particular focus and do not address all areas regarding a particular client's eligibility. These audits have found significant noncompliance for many years. However, despite being aware of these issues, DSHS has not implemented sufficient internal controls to address and correct them.

We consider these internal control deficiencies to be a material weakness for the CCDF program.

### *Cause of Condition*

DSHS staff made eligibility determinations without obtaining sufficient supporting documentation to ensure the household was eligible, such as three months' of wage information and wage information for a secondary adult in the home. While DSHS has policies and procedures, they are not detailed enough to ensure staff document determinations in a consistent manner. Additionally, management did not ensure staff consistently followed the procedures that were in place.

While DSHS audits of eligibility determinations identify errors after the fact, this has not been effective in preventing clients from being improperly approved.

### *Effect of Condition and Questioned Costs*

By not implementing adequate internal controls, DSHS is at a higher risk of paying providers for child care services when clients are ineligible.

Of the 14 client eligibility determinations we identified that had errors, 12 resulted in \$62,488 of federal overpayments to providers. Of this amount, \$59,223 was paid with CCDF grant funds and \$3,265 was paid with TANF grant funds.

Because we used a statistical sampling method to randomly select the payments examined in the audit, we estimate the amount of likely federal improper payments to be \$26,994,629 for the CCDF grant and \$1,488,046 for the TANF grant.

Further, some of the improper payments were partially funded by state dollars. Specifically, we found \$3,834 of improper CCDF state payments, which projects to a likely improper payment amount of \$1,747,750 for CCDF. This amount is not included in the federal questioned costs.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures were in compliance with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3).

### ***Recommendations***

We recommend DSHS improve its internal controls over determining eligibility to ensure it:

- Supports authorizations for child care adequately with verified documentation
- Reviews eligibility determinations sufficiently to detect improper eligibility determinations
- Supports income and household composition information adequately, and ensures the accuracy of that information

We also recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

### ***Department’s Response***

*The Department partially concurs with the audit finding.*

*The Department concurs that in 14 instances we made eligibility determinations improperly, did not obtain required documentation or did not verify information before authorizing services. We will work with the Department of Children, Youth, and Families (DCYF) to establish overpayments where appropriate and refer it to the Office of Financial Recovery for collection.*

*The Department partially concurs with the auditor’s statement that “DSHS performs multiple types of internal audits in relation to the CCDF program. These audits usually have a particular focus and do not address all areas regarding a particular client’s eligibility. These audits have found significant noncompliance for many years. However, despite being aware of these issues, DSHS has not implemented sufficient internal controls to address and correct them.”*

*The Department has made significant improvements to our internal controls over determining eligibility. In response to prior audit findings, the Department worked closely with DCYF creating new or changing existing rules, policies, and/or procedures to enhance overall program integrity. These changes are reflected in the audit findings and show a significant reduction in errors related to workers calculating income incorrectly. At this point, most errors are an issue with clients fraudulently obtaining benefits.*

*To address client child care fraud, we worked with DCYF to create WAC 110-15-0278 which disqualifies clients found guilty of obtaining child care benefits fraudulently for five years. DCYF also developed policies and procedures to support this rule, and new training to enable staff to better use available systems to detect fraud. Since the aforementioned WAC did not go into effect*

*until July 1, 2019, we will not see the full benefit of this change until the state fiscal year 2020 audit which will span the period of July 1, 2019 to June 30, 2020.*

*Also effective July 1, 2019, the Department transferred responsibility for administering all aspects of client eligibility determination and child care provider payment under the Child Care Development Fund (CCDF) to DCYF. Further changes and enhancements to this program are within the purview of DCYF.*

*If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the Department of Health and Human Services and will take appropriate action.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major



programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there



is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

45 CFR 98.20 – A child’s eligibility for child care services, state:

(a) To be eligible for services under § 98.50, a child shall, at the time of eligibility determination or redetermination:

(1)

(i) Be under 13 years of age; or,

(ii) At the option of the Lead Agency, be under age 19 and physically or mentally incapable of caring for himself or herself, or under court supervision;

(2)

(i) Reside with a family whose income does not exceed 85 percent of the State's median income (SMI), which must be based on the most recent SMI data that is published by the Bureau of the Census, for a family of the same size; and

(ii) Whose family assets do not exceed \$1,000,000 (as certified by such family member); and

(3)

(i) Reside with a parent or parents who are working or attending a job training or educational program; or

(ii) Receive, or need to receive, protective services, which may include specific populations of vulnerable children as identified by the Lead Agency, and reside with a parent or parents other than the parent(s) described in paragraph (a)(3)(i) of this section.

(A) At grantee option, the requirements in paragraph (a)(2) of this section may be waived for families eligible for child care pursuant to this paragraph, if determined to be necessary on a case-by-case basis.

(B) At grantee option, the waiver provisions in paragraph (a)(3)(ii)(A) of this section apply to children in foster care when defined in the Plan, pursuant to § 98.16(g)(7).

(b) A grantee or other administering agency may establish eligibility conditions or priority rules in addition to those specified in this section and § 98.46, which shall be described in the Plan pursuant to § 98.16(i)(5), so long as they do not:

(1) Discriminate against children on the basis of race, national origin, ethnic background, sex, religious affiliation, or disability;

(2) Limit parental rights provided under subpart D of this part;

(3) Violate the provisions of this section, § 98.46, or the Plan. In particular, such conditions or priority rules may not be based on a parent's preference for a category of care or type of provider. In addition, such additional conditions or rules may not be based on a parent's choice of a child care certificate; or

(4) Impact eligibility other than at the time of eligibility determination or redetermination.

(c) For purposes of implementing the citizenship eligibility verification requirements mandated by title IV of the Personal Responsibility and Work Opportunity Reconciliation Act, 8 U.S.C. 1601 et seq., only the citizenship and immigration status of the child, who is the primary beneficiary of the CCDF benefit, is relevant. Therefore, a Lead Agency or other administering agency may not condition a child's eligibility for services under § 98.50 based upon the citizenship or immigration status of their parent or the provision of any information about the citizenship or immigration status of their parent.

Washington Administrative Code 110-15-005 Eligibility, states:

(1) Consumer. At application and reapplication, to be eligible for WCCC, the consumer must:

(a) Have parental control of one or more eligible children;

(b) Live in the state of Washington;

(c) Participate in an approved activity or meet the eligibility special circumstances requirements under WAC 110-15-0020;

(d) Have countable income at or below two hundred percent of the federal poverty guidelines (FPG) and have resources under one million dollars per WAC 110-15-0022; and

(e) Have an agreed payment arrangement with any provider to whom any outstanding WCCC copayment is owed.

(2) Children. To be eligible for WCCC, a child must:

(a) Belong to one of the following groups as defined in WAC 388-424-0001:

(i) A U.S. citizen;

(ii) A U.S. national;

- (iii) A qualified alien; or
  - (iv) A nonqualified alien who meets the Washington state residency requirements as listed in WAC 388-468-0005.
- (b) Legally reside in Washington state, which will be determined by applying the criteria of WAC 388-468-0005; and
- (c) Be less than thirteen years of age on the first day of eligibility; or
- (d) Be less than nineteen years of age, and:
  - (i) Have a verified special need, according to WAC 110-15-0020; or
  - (ii) Be under court supervision.

Washington Administrative Code 110-15-0012 Verifying consumers' information, states:

- (1) DSHS may require the consumer to provide verification of child care subsidy eligibility if DSHS is unable to verify it through agency records or systems. The information and verification provided to DSHS from the consumer must:
  - (a) Clearly relate to the request made by DSHS;
  - (b) Be from a reliable source;
  - (c) Be accurate and complete; and
  - (d) If DSHS has reasonable cause to believe the information and verification the consumer provides is unreliable, inaccurate, incomplete, or inconsistent, DSHS may:
    - (i) Ask the consumer to provide additional verification that may include a statement from a person who lives outside of the consumer's residence who knows the consumer's circumstances;
    - (ii) Send an investigator from the DSHS office of fraud and accountability (OFA) to make an unannounced visit to the consumer's home to verify the consumer's circumstances. Consumer's rights are found in WAC 110-15-0025; or
    - (iii) Deny the application, request for reduced copay, or request for additional child care.
- (2) Gross income of consumers with more than ninety days of employment must be employer-verified. If the consumer has less than ninety days of employment, the consumer must provide verification from the employer within sixty days from the approval date.
- (3) DSHS may only request verification for changes during the family's eligibility period that reduce a copayment or increase the authorized amount of care, if agency records or systems cannot provide verification.
- (4) If DSHS is unable to verify household composition of a single-parent household through agency records, the single-parent consumer must provide the name and address of the child's other parent, or declare, under penalty of perjury:
  - (a) That the other parent's identity and address are unknown to the consumer; or
  - (b) That providing this information will likely result in serious physical or emotional harm to the single-parent consumer or another person residing with the single-parent consumer; and
  - (c) Whether the other parent is present or absent in the household.

(5) DSHS will pay for requested verification that requires payment; however, this does not include payment for a self-employed consumer's state business registration or license, which is a cost of doing business.

**2019-033      The Department of Commerce did not have adequate internal controls over and did not comply with earmarking requirements for the Low-Income Home Energy Assistance program.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.568      Low-Income Home Energy Assistance  
**Federal Award Number:** G-17B1 WALIEA  
G-1701WALIE4  
**Applicable Compliance Component:** Earmarking  
**Known Questioned Cost Amount:** None

## **Background**

The Department of Commerce (Department) administers the Low-Income Home Energy Assistance program (program), which provides assistance to low-income households to meet their energy needs. The Department subawards federal funds to community-based organizations (subrecipients) that provide this assistance. During state fiscal year 2019, the Department spent \$55.8 million in federal funds for the program. Of this amount, the Department passed \$53.4 million on to subrecipients.

The grant award limits how much the Department can spend on specific activities. These stipulations are known as earmarks. Specifically, the Department may spend no more than:

- 10 percent on Planning and Administrative costs
- 5 percent on Energy Need Reduction Services

## **Description of Condition**

The Department did not have adequate internal controls over and did not comply with earmarking requirements related to the Energy Need Reduction Services.

During the subaward process, subrecipients are contracted to provide specific services. The Department provided records to show it did not spend more than ten percent on Planning and Administration Costs.

We reviewed the tracking document that the Department maintained to determine how much the Department spent for Energy Need Reduction Services. Based on the document, we could not verify whether the Department met this earmark requirement.

We consider this internal control deficiency to be a material weakness.

We did not report this condition in the prior audit.

## Cause of Condition

During the audit period, the Department changed how it monitored the Energy Need Reduction Services costs. In its new method, the Department stopped updating its tracking spreadsheet.

## Effect of Condition

Without properly identifying, categorizing, and reviewing earmarked expenditures, the Department is at a higher risk of spending grant funds for unallowable activities. This could result in an overpayment of the federal award that the Department would be required to repay to the federal grantor.

## Recommendation

We recommend the Department establish procedures to track Energy Need Reduction Services expenditures. This includes establishing this earmarked category in its accounting records.

## Department's Response

*The Department concurs with this finding for the time period reviewed. The LIHEAP program, beginning with program year 2019/20, made adjustments to program practices to track expenditures within our accounting records using Master Index codes for earmarked expenditures rather than tracking by spreadsheet. Previously, the program tracked conservation education, other direct services and direct services under the budget line item of "direct services". Currently, the program tracks all program expenditures by individual Master Index codes in the Department's Contract Management System and state-wide accounting system. There are separate codes established for administration, conservation education, other direct services, direct services, other emergency services, and contractor advances which is adequate for earmarking.*

## Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

## Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the

Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows: . . .

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing



control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Programmatic conditions for G-17B1 WALIEA and G-1701WALIE4, 42 USC 8624(b)(9)(A); 45 CFR section 96.88(a)) states:

#### Planning and Administrative Costs

No more than 10 percent of a State's LIHEAP funds for a Federal fiscal year may be used for planning and administrative costs, including both direct and indirect costs. This limitation applies, in the aggregate, to planning and administrative costs at both the State and subrecipient levels. This cap may not be exceeded by supplementing with other Federal funds.

Programmatic conditions for G-17B1 WALIEA and G-1701WALIE4, 42 USC 8624(b)(16) states that:

#### Energy Need Reduction Services

No more than five percent of the LIHEAP funds may be used to provide services that encourage and enable households to reduce their home energy needs and,

thereby, the need for energy assistance. Such services may include needs assessments, counseling, and assistance with energy vendors (42 USC 8624(b)(16)).

**2019-034      The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.**

**Federal Awarding Agency:** U. S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.568      Low-Income Home Energy Assistance  
**Federal Award Number:** G-1901 WALIEA  
G-18B1 WALIEA  
G-1801 WALIE4  
G-17B1 WALIEA  
G-1701WALIE4  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

***Background***

The Department of Commerce (Department) administers the Low-Income Home Energy Assistance program (program), which provides assistance to low-income households to meet their energy needs. The Department subawards federal funds to community-based organizations (subrecipients) that provide this assistance. During state fiscal year 2019, the Department spent \$55.8 million in federal funds for the program. Of this amount, \$53.4 million was passed on to subrecipients.

The Department performs onsite monitoring of subrecipients every three years and performs desk monitoring during the two intervening years. The onsite monitoring and desk monitoring include the review of a selection of eligibility determinations and three months of expenditures paid to the subrecipient with federal funds.

Federal regulations allow subrecipients to charge certain facility and administrative costs to the grant. These costs can be charged as indirect costs because they are incurred for a common or joint purpose benefiting more than one activity. Indirect cost rates can be charged at:

- An approved federally recognized indirect cost rate negotiated between the subrecipient and the federal government or, if no such rate exists, either:
  - A rate negotiated between the pass-through entity and the subrecipient, or
  - A de minimis indirect cost rate of 10 percent of Modified Total Direct Costs (MTDC), which may be used only if the subrecipient has never received a negotiated indirect cost rate or the Department didn't previously negotiate a rate with the subrecipient.

The Department must clearly identify the indirect cost rate in the subaward. If the de minimis rate is chosen, the Department is responsible for knowing whether subrecipients are eligible to use it.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program. The prior finding number was 2018-032.

### *Description of Condition*

The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.

We reviewed supporting documentation for five of the 11 onsite monitoring visits and six of the 14 desk reviews the Department performed during the audit period to identify the percentage of federal funds the subrecipients received that the Department reviewed.

The Department reviewed the supporting documentation for up to three months of expenditures at each of the subrecipients during its onsite monitoring and desk monitoring. In total, it reviewed \$3.8 million (21 percent) of the \$17.9 million paid to the 11 subrecipients. In our judgment, this level of monitoring was insufficient to ensure the Department could reasonably detect unallowable or unsupported costs by the community-based organizations.

Additionally, during the subaward process, the Department did not inquire if subrecipients had previously been authorized a Federally Negotiated Indirect Rate (FNIR).

We randomly selected and reviewed eight of the 25 subawards executed during the audit period. In all eight cases, the subawards did not clearly identify that the indirect cost rate subrecipients were authorized to request for reimbursement.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

The Department took steps to increase its fiscal monitoring after its previous audit. However, the changes it implemented were not fully implemented until the end of this audit period.

During the subaward process, the Department did not know it should verify if subrecipients had ever negotiated an Indirect Cost Rate with the federal government. Management did not establish a process in which they identify the federal subaward requirements that would allow the Department to ensure subawards were compliant.

### *Effect of Condition*

By not adequately monitoring its subrecipients, the Department is at a higher risk of not detecting or preventing unallowable activities and costs from being charged to the federal grant.

### *Recommendations*

We recommend the Department:

- Strengthen its internal controls over how it monitors subrecipients to ensure subawarded federal funds are used for authorized purposes

- Establish a secondary review process to ensure it meets federal requirements before issuing subawards
- Establish a process to inquire whether subrecipients have ever negotiated an FNIR before allowing a subrecipient to request reimbursement using the de minimis indirect cost rate of 10 percent of MTDC
- Ensure that subawards clearly identify indirect cost rates

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

*The Department concurs with this finding. The Department has established procedures to expand fiscal monitoring of its subrecipients during reimbursement, including requiring back up documentation. The procedure requires the submission of a roll-up summary, with every invoice, that documents the exact costs charged to the grant by Master Index code. The roll-up should link the actual expenditures to the amounts requested for reimbursement on the invoice.*

*The Department also has an established procedure for documenting fiscal monitoring that occurs during in-person site visits. Fiscal monitoring during site visits will include the review of a sampling of timesheet to verify and confirm that salary/benefit charges on a previously submitted invoice have appropriate backup documentation on file. Staff will also document any fiscal policies and procedures reviewed, and any other fiscal monitoring activities will be clearly documented in the site visit report.*

*The Department has updated the certification forms for MTDC eligibility to inquire whether subrecipients have ever negotiated an FNIR with the federal government.*

### ***Auditor's Concluding Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the

Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

- (b) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
  - 1. Federal Award Identification
    - xiii. Indirect cost rate for the Federal award (including if the de minimis rate is charged per 200.414 Indirect (F&A) costs).
- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
  - (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:
  - (1) Providing subrecipients with training and technical assistance on program-related matters; and
  - (2) Performing on-site reviews of the subrecipient's program operations;

- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

2 CFR 200.414 - Indirect (F&A) costs states in part:

- (h) Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200 - States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in § 200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  - (3) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.



The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-035      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.575      Child Care and Development Block Grant 93.596      Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award Number:</b>	G1901WACCDF; G1801WACCDF, G1701WACCDF
<b>Applicable Compliance Component:</b>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$7,199

### ***Background***

The Department of Children, Youth, and Families (DCYF) administers the federal Child Care and Development Fund (CCDF) grant to help eligible families pay for child care. The Department of Social and Health Services (DSHS) determines client eligibility for and pays child care providers under an agreement with DCYF. Providers are paid from both the CCDF grant and the Temporary Assistance for Needy Families (TANF) grant, and a payment can include funding from both programs.

DCYF is responsible for establishing policies to ensure payments are allowable. In fiscal year 2019, DSHS made 564,195 monthly child care subsidy payments to child care providers that were at least partially paid with federal CCDF and/or TANF grant funds. Some payments also include state funding. These payments totaled almost \$276.4 million in federal funds, with over \$187 million paid with CCDF funds.

There are three child care provider types: licensed centers; licensed family homes; and licensed exempt providers referred to as Family, Friends and Neighbor providers (FFN). Licensed centers typically operate as larger facilities, whereas licensed family homes are limited to no more than 12 children at a given time. Both centers and homes must adhere to strict licensing requirements established by DCYF and are subject to annual monitoring visits.

FFN providers are exempt from many of the licensing requirements. These providers are limited to receiving payment for a maximum of six children in their home or the client's home at a time.

### ***Authorizations for child care***

To be authorized for child care services, parents must be determined to be eligible based on their income, residency and demonstrated need based on approved activities. Once parents are determined to be eligible, DSHS authorizes the amount of care based on the hours a parent participates in approved activities. For licensed providers, the service levels are generally either 23 full-day units (up to 10 hours a day) or 30 half-day units (up to five hours a day) when authorizing care for households with more than 110 hours of activity. Care is authorized based on

need when approvable activities are less than 110 hours. When more than ten hours per day of care is needed, DSHS may authorize additional care for overtime. FFN providers are paid by the hour and authorizations are made for either part-time care (up to 110 hours a month) or full-time care (up to 230 hours a month). When more than 10 hours per day of care is needed, DSHS may authorize additional care for overtime.

### *Attendance records*

According to state rules, child care providers must maintain attendance records to support their billing. At a minimum, the records must include: the children's names; the child's arrival and departure times; date(s) child care was provided; and authorized identifiers (such as signatures or PINs), typically of a parent or guardian. During the audit period, DCYF implemented a new electronic time and attendance reporting system that maintains electronic copies of attendance records. The adoption dates for using this system varied by provider type, but by November 30, 2019, all providers are required to use DCYF's system or an approved third-party system for tracking.

Before using the new attendance reporting system, providers were not required to submit attendance records with their monthly requests for payment. The new reporting system enables DCYF to perform data analysis and audit of payments. DCYF has established a subsidy audit unit that randomly selects prior payments for review. If the provider has not yet set up access to the electronic system, upon request providers must submit attendance records and other supporting documentation, which are reconciled to paid invoices.

In the prior audit, we reported DCYF did not establish adequate internal controls over and was not compliant with federal requirements to ensure payments to child care providers were allowable. We have reported this condition since 2005. The most recent audit finding numbers were 2018-034, 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12 and 8-13.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the CCDF program were allowable.

We used a statistical sampling method and randomly sampled 133 of a total population of 564,195 payments for child care to determine if they were allowable. We chose child care payments by totals from each of the three provider types: licensed centers, licensed family homes and FFN's. With assistance from DCYF, we requested attendance records from providers that supported the payments. We reviewed each provider's records to determine if the payments were allowed by federal and state regulations, as well as by DCYF's policies.

We found 48 payments funded by the CCDF grant that were noncompliant. Of these, 22 were partially or fully unallowable and we questioned \$7,199 paid by federal CCDF funds.

The reasons the overpayments occurred were:

- Attendance records were not submitted by providers in response to our request
- Providers overbilled for services not performed or not supported by attendance records
- Providers billed for overtime when they did not have a written policy in place to also charge these same fees to private paying parents
- A provider did not have a valid license during the date of service
- Providers were not paid the correct rate

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

Although payment authorizations establish a maximum for what providers may bill without further approval, it does not prevent providers from billing for unallowable days, hours or services. The claim and payment system is not linked to authorizations or attendance. Until the child care providers transition over to the new electronic attendance record system, they must maintain attendance records and submit this supporting documentation only when it is requested.

### *Effect of Condition and Questioned Costs*

By not having adequate internal controls in place, DCYF increases its risk of making improper payments for child care services.

A statistical sampling method was used to randomly select the payments examined in the audit. Based on the results of our testing, we estimate the total amount of likely improper payments with federal CCDF funds to be \$25,868,291. In addition, one of the improper payments was partially funded by state dollars. We found \$6 of improper state payments, which projects to a likely improper payment amount of \$31,567. This amount is not included in the federal questioned costs. Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### *Recommendations*

We recommend the Department:

- Implement preventive internal controls over payments to providers to reduce the rate of unallowable payments
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with the audit finding.*

*In response to prior audit findings, the Department has procured an electronic attendance record system. The Department's electronic attendance record system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage.*

*Effective December 1, 2018 (about halfway through the 2019 audit period), licensed providers who accept subsidy are required to use the Department's electronic attendance record system or an approved third party system to track attendance. Effective November 30, 2019 (about halfway through the 2020 audit period), FFN providers are also required to use the Department's system or an approved third party system for tracking attendance. Based on the effective dates above, we likely will not see the full benefit of the electronic attendance record system until the state fiscal year 2021 audit which will span the period of July 1, 2020 to June 30, 2021.*

*Of the 22 exceptions cited, the Department **concurs** that 20 of the payments were partially or fully unallowable due to records not received or being incomplete, incorrect billing hours, and overtime billing rules. The Department will establish overpayments where appropriate and refer the overpayments to the Office of Financial Recovery for collection.*

*In response to the five exceptions and cause of condition centering on providers billing for overtime, the Department has filed proposed rules to eliminate the requirement in WAC 110-15-0190(9) that licensed providers have a policy to charge private paying families for overtime in order to bill the Child Care Subsidy Program for the same. Once effective, the Department expects no further associated payment errors for this issue.*

*The Department **does not** concur that two of these payments were unallowable. The auditor found the payments to be unallowable because the providers submitted records for the correct month, but not for the child sampled. The Department was not given the opportunity to follow-up with the providers for the missing attendance records as historically allowed in prior audits. The Department will follow-up with the providers to obtain the missing attendance records and determine the appropriate next steps.*

*If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.*

## ***Auditor's Remarks***

The Department states it had no opportunity to follow up with the providers whom we received attendance records from, but that did not include records for the child that was being tested. Our request to the providers was specific and they were to provide records for all children for the month selected. Because we received records from these providers, we did not believe additional records were needed.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

### Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

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**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow

compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Washington Administrative Code 110-15-0034 Providers' responsibilities, states:

Child care providers who accept child care subsidies must do the following:

- (1) Licensed or certified child care providers who accept child care subsidies must comply with all child care licensing or certification requirements contained in this chapter, chapter 43.216 RCW and chapters 110-06, 110-300, 110-300A, 110-300B, and 110-305 WAC.
- (2) In-home/relative child care providers must comply with the requirements contained in this chapter, chapter 43.216 RCW, and chapters 110-06 and 110-16 WAC.
- (3) In-home/relative child care providers must not submit an invoice for more than six children for the same hours of care.
- (4) All child care providers must use DCYF's electronic attendance recordkeeping system or a DCYF-approved electronic attendance recordkeeping system as required by WAC 110-15-0126. Providers must limit attendance system access to authorized individuals and for authorized purposes, and maintain physical and environmental security controls.
  - (a) Providers using DCYF's electronic recordkeeping system must submit monthly attendance records prior to claiming payment. Providers using a DCYF-approved electronic recordkeeping system must finalize attendance records prior to claiming payment.
  - (b) Providers must not edit attendance records after making a claim for payment.
- (5) All child care providers must complete and maintain accurate daily attendance records. If requested by DCYF or DSHS, the provider must provide to the requesting agency the following records:
  - (a) Attendance records must be provided to DCYF or DSHS within twenty-eight calendar days of the date of a written request from either department.
  - (b) Pursuant to WAC 110-15-0268, the attendance records delivered to DCYF or DSHS may be used to determine whether a provider overpayment has been made and may result in the establishment of an overpayment and in an immediate suspension of the provider's subsidy payment.
- (6) All child care providers must maintain and provide receipts for billed field trip/quality enhancement fees as follows. If requested by DCYF or DSHS, the provider must provide the following receipts for billed field trip/quality enhancement fees:
  - (a) Receipts from the previous twelve months must be available immediately for review upon request by DCYF;

- (b) Receipts from one to five years old must be provided within twenty-eight days of the date of a written request from either department.
- (7) All child care providers must collect copayments directly from the consumer or the consumer's third-party payor, and report to DCYF if the consumer has not paid a copayment to the provider within the previous sixty days.
- (8) All child care providers must follow the billing procedures required by DCYF.
- (9) Child care providers who accept child care subsidies must not:
  - (a) Claim a payment in any month a child has not attended at least one day within the authorization period in that month; however, in the event a ten-day notice terminating a provider's authorization extends into the following month, the provider may claim a payment for any remaining days of the ten calendar day notice in that following month;
  - (b) Claim an invoice for payment later than six months after the month of service, or the date of the invoice, whichever is later; or
  - (c) Charge consumers the difference between the provider's customary rate and the maximum allowed state rate.
- (10) Licensed and certified providers must not charge consumers for:
  - (a) Registration fees in excess of what is paid by subsidy program rules;
  - (b) Days for which the child is scheduled and authorized for care but absent;
  - (c) Handling fees to process consumer copayments, child care services payments, or paperwork;
  - (d) Fees for materials, supplies, or equipment required to meet licensing rules and regulations; or
  - (e) Child care or fees related to subsidy billing invoices that are in dispute between the provider and the state.
- (11) Providers who care for children in states bordering Washington state must verify they are in compliance with their state's licensing regulations and notify DCYF within ten days of any suspension, revocation, or changes to their license.

Washington Administrative Code 110-15-0190 WCCC benefit calculations, states:

- (1) The amount of care a consumer may receive is determined by DSHS at application or reapplication. Once the care is authorized, the amount will not be reduced during the eligibility period unless:
  - (a) The consumer requests the reduction;
  - (b) The care is for a school-aged child as described in subsection (3) of this section; or
  - (c) Incorrect information was given at application or reapplication.
- (2) To determine the amount of weekly hours of care needed, DSHS reviews:
  - (a) The consumer's participation in approved activities and the number of hours the child attends school, including home school, which will reduce the amount of care needed.
  - (b) In a two parent household, the days and times approved activities overlap, and only authorize care during those overlapping times. The

consumer is eligible for full-time care if overlapping care totals one hundred ten hours in one month.

- (c) DSHS will not consider the schedule of a parent in a two parent household who is not able to care for the child.
- (3) Full-time care for a family using licensed providers is authorized when the consumer participates in approved activities at least one hundred ten hours per month:
  - (a) Twenty-three full-day units per month will be authorized when the child needs care five or more hours per day;
  - (b) Thirty half-day units per month will be authorized when the child needs care less than five hours per day;
  - (c) Forty-six half-day units per month will be authorized during the months of June, July, and August for a school-aged child who needs five or more hours of care;
  - (d) Supervisor approval is required for additional days of care that exceeds twenty-three full days or thirty half days per month; and
  - (e) Care cannot exceed sixteen hours per day, per child.
- (4) Full-time care for a family using in-home/relative providers (family, friends and neighbors) is authorized when the consumer participates in approved activities at least one hundred ten hours per month:
  - (a) Two hundred thirty hours of care will be authorized when the child needs care five or more hours per day;
  - (b) One hundred fifteen hours of care will be authorized when the child needs care less than five hours per day;
  - (c) One hundred fifteen hours of care will be authorized during the school year for a school-aged child who needs care less than five hours per day and the provider will be authorized for contingency hours each month, up to a maximum of two hundred thirty hours;
  - (d) Two hundred thirty hours of care will be authorized during the school year for a school-aged child who needs care five or more hours in a day;
  - (e) Supervisor approval is required for hours of care that exceed two hundred thirty hours per month; and
  - (f) Care cannot exceed sixteen hours per day, per child.
- (5) When determining part-time care for a family using licensed providers and the activity is less than one hundred ten hours per month:
  - (a) A full-day unit will be authorized for each day of care that exceeds five hours;
  - (b) A half-day unit will be authorized for each day of care that is less than five hours; and
  - (c) A half-day unit will be authorized for each day of care for a school-aged child, not to exceed thirty half days.
- (6) When determining part-time care for a family using in-home/relative providers:
  - (a) Under the provisions of subsection (2) of this section, DSHS will authorize the number of hours of care needed per month when the activity is less than one hundred ten hours per month; and

- (b) The total number of authorized hours and contingency hours claimed cannot exceed two hundred thirty hours per month.
- (7) DSHS determines the allocation of hours or units for families with multiple providers based upon the information received from the parent.
- (8) DSHS may authorize more than the state rate and up to the provider's private pay rate if:
  - (a) The parent is a WorkFirst participant; and
  - (b) Appropriate child care, at the state rate, is not available within a reasonable distance from the approved activity site. "Appropriate" means licensed or certified child care under WAC 110-15-0125, or an approved in-home/relative provider under WAC 110-16-0010. "Reasonable distance" is determined by comparing distances other local families must travel to access appropriate child care.
- (9) Other fees DSHS may authorize to a provider are:
  - (a) Registration fees;
  - (b) Field trip fees;
  - (c) Nonstandard hours bonus;
  - (d) Overtime care to a licensed provider who has a written policy to charge all families, when care is expected to exceed ten hours in a day; and
  - (e) Special needs rates for a child.

Washington Administrative Code 110-15-0249 Nonstandard hours bonus, states:

- (1) A consumer's provider may receive a nonstandard hours bonus (NSHB) payment per child per month for care provided if:
  - (a) The provider is licensed or certified;
  - (b) The provider provides at least thirty hours of nonstandard hours care during one month; and
  - (c) The total cost of the NSHB to the state does not exceed the amount appropriated for this purpose by the legislature for the current state fiscal year.
- (2) Nonstandard hours are defined as:
  - (a) Before 6 a.m. or after 6 p.m.;
  - (b) Any hours on Saturdays and Sundays; and
  - (c) Any hours on legal holidays, as defined in RCW [1.16.050](#).
- (3) NSHB amounts are:
  - (a) Seventy-six dollars and fifty cents for family homes; and
  - (b) Seventy-five dollars for centers.

**2019-036      The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.575      Child Care and Development Block Grant 93.596      Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award Number:</b>	G1901WACCDF; G1801WACCDF, G1701WACCDF
<b>Applicable Compliance Component:</b>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$25,875,872

***Background***

The Department of Children, Youth, and Families administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for child care.

The Department may use grant funds only for costs that are allowable and related to the grant's purpose. According to the Department, each business unit must complete a certification for its employees whose positions are funded by a single federal award. The division director or office unit manager must approve the certification and attest that the employees did not perform any other duties.

In fiscal year 2019, the Department spent over \$272 million in federal funds on the CCDF program. Almost \$26 million of that total was for payroll expenses of employees who worked on the program.

In the prior audit, we reported the Department did not have adequate internal controls to ensure payroll charges to the CCDF program were allowable and properly supported. The prior finding number is 2018-033.

***Description of Condition***

The Department did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the CCDF program were allowable and properly supported.

The Department did not complete any semi-annual certifications during our audit period. The Department did complete the first half of the semi-annual certifications, but nine months after the end of the certification period.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

The Department did not have written policies in place to ensure salaries and benefits paid with federal grant funds were adequately supported. The Department asserted it did have internal controls and a process in place, but did not follow them timely. The Department said that due to the lack of availability of resources, management considered other areas to be of higher priority for responsible staff and therefore did not follow its established process.

### *Effect of Condition and Questioned Costs*

The Department charged \$25,875,872 in direct payroll and benefits to the CCDF program that were not adequately supported. We are questioning these costs.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate records to support its expenditures.

### *Recommendations*

We recommend the Department:

- Establish policies and procedures to ensure payroll costs charged to a federal grant are adequately supported
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

### *Department's Response*

*The Department concurs with the State Auditor's Office that semi-annual certifications were not completed timely.*

*The Department has completed the July 2018 through December 2018 semi-annual certifications and is working on the second half of the fiscal year. In addition, 182 (representing \$13.3 million of the questioned costs) of the employees referenced are licensing or program employees who are 100% eligible for payroll charges to the CCDF grant and who do not perform duties other than those that are approved activities related only to the CCDF program. The Department has internal controls in place around any changes to position coding to ensure direct charges to federal grants are allowable and accurate.*

*As stated in the Cause of Condition, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Program, formerly of the Department of Social and Health Services, into the Department effective July 2019. The cost allocation team responsible for completing the semi-annual certifications were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*As to the Auditor's specific recommendations:*

- *The Department implemented a payroll certification policy effective August 29, 2019.*



- *The Department will work with the Department of Health and Human Service if they determine question costs should be repaid.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a

major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-037      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with matching requirements for the Child Care and Development Fund.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.575      Child Care and Development Block Grant 93.596      Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award Number:</b>	G1901WACCDF, G1801WACCDF, G1701WACCDF; G160WACCDF
<b>Applicable Compliance Component:</b>	Matching
<b>Known Questioned Cost Amount:</b>	\$440,578

***Background***

The Child Care and Development Fund (CCDF) is awarded to states to increase the availability, affordability, and quality of child care services. Funds are used to subsidize child care for low-income families where the parents are working or attending training or educational programs, as well as for activities to promote overall child care quality for all children, regardless of subsidy receipt.

The CCDF consists of three distinct funding sources: the Discretionary Fund, the Mandatory Fund, and the Matching Fund. If federal matching funds are requested, State expenditures will be matched at the Federal Medical Assistance Percentage (FMAP) rate for the applicable fiscal year. Washington's FMAP was 50 percent for fiscal years 2016, 2017, 2018, and 2019.

The Department of Children, Youth, and Families (Department) is the lead agency for the CCDF grant and administers the program. The Department has the overall responsibility for monitoring the CCDF grant activities.

The Department claimed \$37,018,014 of federal matching funds from the federal fiscal year 2016 CCDF matching grant that closed during the audit period.

***Description of Condition***

The Department did not have adequate internal controls over and did not comply with matching requirements for the CCDF cluster.

We examined the federal fiscal year 2016 CCDF matching grant to determine if the Department met the matching requirement. The Department used child care subsidy payments and associated administrative costs made by the Department of Social and Health Services (DSHS) and the Early Childhood Education and Assistance Program (ECEAP) funds to meet the requirement. DSHS reports its share of the matching expenditures to the Department on a claim form.

The Department's required match for the federal fiscal year 2016 grant was \$36,990,750. During audit fieldwork, the Department gave us records to support \$36,550,172 in spending. Based on

this documentation, we calculated the Department failed to meet the required state match by \$440,578.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

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

The Department did not verify through the review of supporting documentation that the expenditures reported by DSHS were allowed to be claimed as state matching funds.

After our audit fieldwork was over, the Department sent emails and financial reports it believed showed they complied with the matching requirement. We reviewed this information, but did not find it clear and convincing to evidence the Department complied with the requirement and met the required state match.

### ***Effect of Condition***

Without adequate internal controls in place, the Department cannot ensure it meets matching requirements. Because the Department did not have adequate documentation to show it met its required state match, we are questioning \$440,578.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendation***

We recommend the Department:

- Strengthen internal controls to ensure it meets the matching requirements.
- Consult with its grantor about whether the questioned costs identified in the finding should be repaid.

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

*The Department **does not** concur with the audit finding.*

*The Department works closely with the Department of Social and Health Services (DSHS) for compliance with matching requirements for the CCDF Grant. Both Departments have the same sufficient internal controls in place to ensure compliance with matching requirements for the CCDF cluster as found by the State Auditor's Office in previous audits.*

*DSHS did not provide the Department sufficient supporting documentation for \$440,578 in spending at the time of the auditor's testing as a result of miscommunication. Both DSHS and the State Auditor's Office had new staff working together on this compliance area and neither party was clear on what to ask for to provide as sufficient supporting documentation. As a result, DSHS provided documentation that did not provide the level of detail needed to provide clear and*

*convincing evidence that the Department complied with the requirement and met the required state match.*

*The Department will work with the DSHS to obtain the correct documentation needed to prove to the Department of Health and Human Services (HHS) that the Department met the match requirement.*

*The Department will work with the HHS if they determine question costs should be repaid.*

### ***Auditor's Concluding Remarks***

Neither the Department, nor its partner DSHS, provided supporting documentation with enough detail for us to conclude whether the federal matching requirement was met.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and *Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).



- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major

programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

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**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there

is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42, U.S. Code, Section 618 – Funding for child care regarding State expenditures, states in part:

(2)(C) The Secretary shall pay to each eligible State for a fiscal year an amount equal to the lesser of the State's allotment under subparagraph (B) or the Federal medical assistance percentage for the State for the fiscal year (as defined in section 1396d(b) of this title, as such section was in effect on September 30, 1995) of so much of the State's expenditures for child care in that fiscal year as exceed the total amount of expenditures by the State (including expenditures from amounts made available from Federal funds) in fiscal year 1994 or 1995 (whichever is greater) for the programs described in paragraph (1)(A).

Office of Child Care FY 2016 CCDF Allocations (matching requirements):  
<https://www.acf.hhs.gov/occ/resource/fy-2016-ccdf-allocations-including-redistributed-funds>

**2019-038      The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.575      Child Care and Development Block Grant 93.596      Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award Number:</b>	G1901WACCDF; G1801WACCDF, G1701WACCDF
<b>Applicable Compliance Component:</b>	Period of Performance
<b>Known Questioned Cost Amount:</b>	\$4,212,863

***Background***

The Department of Children, Youth, and Families (Department) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for child care.

The Department is responsible for ensuring grant money is used for costs that are allowable and related to each grant's purpose. Each federal grant specifies a performance period during which program costs may be obligated or liquidated. These periods typically align with the federal fiscal year of October 1 through September 30. Payments for costs charged before a grant's beginning date are not allowed without the grantor's prior approval.

In fiscal year 2019, the Department paid about \$187 million in CCDF federal funding to child care providers.

***Description of Condition***

The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.

We found the Department improperly charged \$151 to the CCDF grant for activities that occurred before the grant was open. Additionally, we found \$397,014 that was obligated to the grant after the period of performance ended and \$3,815,698 that was liquidated to the grant after the period of performance ended.

The Department did not have prior authorization from the grantor to charge these expenditures to these grants.

This condition was not reported in the prior audit.

***Cause of Condition***

The Department said it received invoices for expenditures totaling \$3,815,698 after the liquidation period was closed and reconciliations for the period of performance were not completed due to limited staffing resources during agency transition. In addition, staff resources were focused on tasks related to taking on the management of the Juvenile Rehabilitation Administration and the Child Care Subsidy Customer Service Contact Center program, which formerly were managed by the Department of Social and Health Services.

### ***Effect of Condition***

We are questioning improperly charged expenditures made to the CCDF grant as follows:

- \$151 made before the start of the performance period
- \$397,014 obligated to a grant after the period of performance ended
- \$3,815,698 liquidated to a grant after the period of performance ended

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Charge expenditures to federal grants only if the expenditures are obligated or liquidated during the period of performance
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with the finding. The Department maintains that all of the expenditures were allowable charges to the CCDF grant.*

*As stated in the Cause of Condition, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Customer Service Contact Center program, formerly of the Department of Social and Health Services (DSHS), into the Department effective July 2019. The cost allocation team responsible for reconciliation of the CCDF grants during SFY19 were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*Since conclusion of the transition period, the Department has prioritized reconciliation of the CCDF grants and the period of performance. Based on those reconciliations, the Department has identified and made corrections to expenditures, but those corrections were outside of the auditors review period and therefore not taken into consideration during the audit and publication of this finding. In addition, due to the timing of the request by SAO for records, the Department was unable to verify that \$6,591 was actually charged to the incorrect grant period.*

*The Department concurs that expenditures totaling \$151 were improperly charged to the wrong federal grant period and has processed a journal voucher to correct those expenditures.*

*The Department concurs that expenditures of \$3,815,698 were properly obligated, but liquidated outside of the grant period.*

*The Department will work with the Department of Health and Human Service if they determine question costs should be repaid.*

### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

#### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.309 Period of performance, states:

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.



**2019-039      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.575 Child Care and Development Block Grant  
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund  
**Federal Award Number:** G1901WACCDF, G1801WACCDF, G1701WACCDF  
**Applicable Compliance Component:** Special Tests and Provisions – Health and Safety Requirements  
**Known Questioned Cost Amount:** \$0

***Background***

The Department of Children, Youth, and Families (Department) administers the federal Child Care and Development Fund (CCDF) grant to help eligible working families pay for childcare. In fiscal year 2019, the Department paid about \$187 million in CCDF federal funding to childcare providers.

The Department oversees two types of providers: license providers and license-exempt Family, Friends, & Neighbors (FFN) providers. The Department is responsible for ensuring all of these providers meet health and safety standards, which includes conducting monitoring visits for licensed providers and background checks for all providers and staff with direct access to children.

***Provider inspections***

The Department conducts annual, unannounced monitoring visits of licensed providers, using a monitoring checklist to verify whether required health and safety standards are being met.

When health and safety infractions are identified, licensors document them on a Facility Licensing Compliance Agreement (FLCA). The FLCA identifies the areas of provider noncompliance and establishes deadlines for correcting them. Providers must submit a corrective action plan or resolution activity to their licensor. When serious health and safety violations are identified, licensors must conduct an unannounced re-check of the facility within 10 business days. Less serious non-compliance issues must be addressed within 30 days. If the provider does not resolve a noncompliance issue, the Department may impose sanctions, issue fines, or suspend or revoke the provider's license.

In June 2017, the Department replaced the system it used to document its licensing activities with a new electronic system, WA Compass, to allow licensing staff to make more timely updates and streamline their process.

### *Background checks*

The Department ensures FFN providers pass background checks before providing services, and at least every three years or when there is a 30-day break in service in providing care. Beginning October 1, 2018, FFN providers were required to receive a fingerprint background check and be approved by the Department before providing care. The Department received a waiver from the federal government for this deadline. The new deadline to ensure FFN providers pass fingerprint background checks was September 30, 2019.

In prior audits, we reported the Department did not have adequate internal controls over and did not comply with health and safety requirements. The prior finding numbers were 2018-035, 2017-025, 2016-022 and 2015-024.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with health and safety requirements for the CCDF program.

### *Provider inspections*

In fiscal year 2019, the Department regulated 3,731 licensed providers and 5,083 license-exempt FFN providers. Beginning July 1, 2018, the annual licensed providers monitoring visit was required within the current state fiscal year.

We used a statistical sampling method to randomly select and examine records for 59 licensed providers who received federal CCDF payments during state fiscal year 2019 to determine if monitoring visits were conducted as required. We found all licensed providers received their monitoring visit in state fiscal year 2019.

We examined the Department's response to serious violations documented during inspections and found 10 instances (17 percent) when there was not sufficient documentation to show adequate follow-up was performed or performed in a timely manner for violations of health, safety or well-being of children.

Some examples of these serious violations were:

- General health and safety hazards to the children
- Inadequate supervision of children

Additionally, in one of these 10 instances a required monitoring checklist was not completed.

### *Background checks*

We used a statistical sampling method to randomly select and examine 59 FFN providers to determine whether the Department performed required background checks. We found three instances when background checks were not performed before the provider became eligible to provide care to children.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

#### *Provider inspections*

The Department did not follow-up on the health and safety violations identified on the FLCA in a timely manner because:

- WA Compass lacked capacity to track when FLCA follow-ups were required. The Department said that WA Compass has since been enhanced to include this capability.
- Licensors were not performing the required re-check visits. To address this issue, the WA Compass enhancement has added risk element identifiers to non-compliance issues prompting the licensors on what follow-up action is required.

Additionally, the transition to WA Compass resulted in difficulties finding the document for the one instance when the monitoring visit checklist was not completed.

#### *Background checks*

The Department implemented the new FFN background check rules in October 2018. The new background check can take over 30 days to process, and the Department said it felt this wait period can cause hardship for applicants. To lessen the burden to those needing child care services, the Department decided that when a license exempt FFN provider clears a background check, they would backdate the start date of the approval for those requests received within 10 days of the parent's specified provider request date.

### *Effect of Condition*

#### *Provider inspections*

By not following up on violations in a timely manner, the Department cannot ensure identified issues have been corrected and could put children in jeopardy for harm, neglect, and unhealthy emotional and cognitive development environments.

#### *Background checks*

The three providers whose background checks were not performed in a timely manner were ineligible to be paid for services for the period prior to their background check approval. We estimate these providers received \$1,345 in improper payments with federal funds. Because a statistical sampling method was used to select the providers examined, we estimate the amount of likely federal improper payments to be \$115,875.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula

designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3).

When provider background checks are not performed in a timely manner, it increases the risk that children are left in the supervision of an unqualified individual.

### ***Recommendations***

We recommend the Department:

- Ensure management follows policy and procedures to ensure all visits are performed in compliance with regulations
- Ensure staff sufficiently document the results of follow-up visits when serious violations are identified
- Ensure background checks are conducted before allowing services to be provided
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

### ***Department’s Response***

*The Department concurs with the finding and is strongly committed to ensuring the health, safety, and well-being of all children in care.*

*As to the Auditor’s specific recommendations, the Department offers the following detail:*

#### **Provider Inspections**

*The Department concurs with SAO finding that health and safety violations identified on the FLCA were not followed up on in a timely manner.*

*The Department is working on an enhancement in WA Compass to track when follow up health and safety visit are required. Currently, the WA Compass system lacks the capacity to track when FLCA follow-ups are due. To address this issue, effective August 1, 2019, the Department created three different risk levels for corresponding violations which require follow-up along specific timelines or no follow up at all depending on the level of risk associated with the violation. Risk levels classifications are as follows:*

- ***IMMEDIATE CONCERN (I).*** Rules of immediate concern are requirements developed by the department to protect the health and safety of children against substantial risk of injury, illness, or death. **The provider must correct any violation of rules of immediate concern as soon as possible, but in no case later than the next business day.**
- ***SHORT TERM CONCERN (S).*** Rules of short term concern are requirements developed by the department to protect the health and safety of children against the risk of injury or illness that is likely to occur if a provider fails to comply over a short period of time. The provider must correct any violation of rules of short term concern as soon as possible. The

provider must demonstrate compliance to the department **within 10 business days** from the date of non-compliance.

- **LONG TERM CONCERN (L).** Rules of long term concern are requirements developed by the department to protect the health and safety of children against the potential risk of injury or illness that is likely to occur if a provider fails to comply over an extended period of time. The provider must agree to correct any violation of rules of long term concern as soon as possible. The provider must demonstrate compliance to the department **within 20 business days** from the date of non-compliance.

*These risk levels were added to Department policies and procedures and the transition to the new methodology and licensing approach will help alleviate the gaps in follow up visits by the Department.*

### **Background Checks**

*The Department concurs that the license exempt team would request FFN provider's payment start date be backdated in some instances. This included when a significant delay occurred in processing a provider's Portable Background Check (PBC), and only when providers PBC results were returned as approved. The Department maintains that at no time was payment approved for any provider that was disqualified or whose household member was disqualified (if care was provided in the provider's home).*

*As of October 1, 2018, the Department's License Exempt Services began overseeing the approval of FFN providers. This included:*

- *Processing applications for new FFN providers including submission of full PBC.*
- *Updating existing FFN provider accounts who were providing care prior to October 1, 2018 and had until September 30, 2019 to come into compliance with new PBC requirements.*

*In addition, the Department's License Exempt Services team had limited staff (12) who worked with the over 5000 provider accounts to;*

- *Assist individuals in becoming a provider; and*
- *Updating provider accounts to allow existing providers to submit a PBC.*

*Given the Department's limited staffing resources and high volume of providers, assistance to providers was often delayed resulting in the provider or potential provider not beginning the PBC process in a timely manner. To complicate this delay, the PBC process was often taking up to one month to complete.*

*The issues described above characterized the PBC process during a period of transition that brought the Department into further compliance with CCDF Reauthorization federal rule changes requiring a much more robust, time consuming, background check than had been in place prior. Backdating helped prevent a loss of provider capacity that could have significantly impacted family access to care during this transition. With the transition now complete, the Department will cease the backdating practice on March 1, 2020. Note there are some PBCs currently in process that may clear after March 1, 2020.*

### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) Improper payment means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) Improper payment includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.



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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

45 Code of Federal Regulations section 98.40 Compliance with applicable State and local regulatory requirements, states:

- (a) Lead Agencies shall:
  - (1) Certify that they have in effect licensing requirements applicable to child care services provided within the area served by the Lead Agency;
  - (3) Provide a detailed description in the Plan of the requirements under paragraph (a)(1) of this section and of how they are effectively enforced.
- (b) (1) This section does not prohibit a Lead Agency from imposing more stringent standards and licensing or regulatory requirements on child care providers of services for which assistance is provided under the CCDF than the standards or requirements imposed on other child care providers.
  - (2) Any such additional requirements shall be consistent with the safeguards for parental choice in § 98.30(f).

45 Code of Federal Regulations section 98.41 Health and safety requirements, states:

- (a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements, which are subject to monitoring pursuant to § 98.42, shall:
  - (1) Include health and safety topics consisting of, at a minimum:
    - (i) The prevention and control of infectious diseases (including immunizations); with respect to immunizations, the following provisions apply:
      - (A) As part of their health and safety provisions in this area, Lead Agencies shall assure that children receiving services under the CCDF are age-appropriately immunized. Those health and safety provisions shall incorporate (by reference or otherwise) the latest recommendation for childhood immunizations of the respective State, territorial, or tribal public health agency.
      - (B) Notwithstanding this paragraph (a)(1)(i), Lead Agencies may exempt:

(1) Children who are cared for by relatives (defined as grandparents, great grandparents, siblings (if living in a separate residence), aunts, and uncles), provided there are no other unrelated children who are cared for in the same setting.

(2) Children who receive care in their own homes, provided there are no other unrelated children who are cared for in the home.

(3) Children whose parents object to immunization on religious grounds.

(4) Children whose medical condition contraindicates immunization.

(C) Lead Agencies shall establish a grace period that allows children experiencing homelessness and children in foster care to receive services under this part while providing their families (including foster families) a reasonable time to take any necessary action to comply with immunization and other health and safety requirements.

(1) The length of such grace period shall be established in consultation with the State, Territorial or Tribal health agency.

(2) Any payment for such child during the grace period shall not be considered an error or improper payment under subpart K of this part.

(3) The Lead Agency may also, at its option, establish grace periods for other children who are not experiencing homelessness or in foster care.

(4) Lead Agencies must coordinate with licensing agencies and other relevant State, Territorial, Tribal, and local agencies to provide referrals and support to help families of children receiving services during a grace period comply with immunization and other health and safety requirements;

(ii) Prevention of sudden infant death syndrome and use of safe sleeping practices;

(iii) Administration of medication, consistent with standards for parental consent;

(iv) Prevention and response to emergencies due to food and allergic reactions;

(v) Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic;

(vi) Prevention of shaken baby syndrome, abusive head trauma, and child maltreatment;

(vii) Emergency preparedness and response planning for emergencies resulting from a natural disaster, or a man-caused event (such as violence at a child care facility),

within the meaning of those terms under section 602(a)(1) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5195a(a)(1)) that shall include procedures for evacuation, relocation, shelter-in-place and lock down, staff and volunteer emergency preparedness training and practice drills, communication and reunification with families, continuity of operations, and accommodation of infants and toddlers, children with disabilities, and children with chronic medical conditions;

(viii) Handling and storage of hazardous materials and the appropriate disposal of biocontaminants;

(ix) Appropriate precautions in transporting children, if applicable;

(x) Pediatric first aid and cardiopulmonary resuscitation;

(xi) Recognition and reporting of child abuse and neglect, in accordance with the requirement in paragraph (e) of this section; and

(xii) May include requirements relating to:

(A) Nutrition (including age-appropriate feeding);

(B) Access to physical activity;

(C) Caring for children with special needs; or

(D) Any other subject area determined by the Lead Agency to be necessary to promote child development or to protect children's health and safety.

(2) Include minimum health and safety training on the topics above, as described in § 98.44.

(b) Lead Agencies may not set health and safety standards and requirements other than those required in paragraph (a) of this section that are inconsistent with the parental choice safeguards in § 98.30(f).

(c) The requirements in paragraph (a) of this section shall apply to all providers of child care services for which assistance is provided under this part, within the area served by the Lead Agency, except the relatives specified at § 98.42(c).

(d) Lead Agencies shall describe in the Plan standards for child care services for which assistance is provided under this part, appropriate to strengthening the adult and child relationship in the type of child care setting involved, to provide for the safety and developmental needs of the children served, that address:

(1) Group size limits for specific age populations;

- (2) The appropriate ratio between the number of children and the number of caregivers, in terms of age of children in child care; and
- (3) Required qualifications for caregivers in child care settings as described at § 98.44(a)(4).
- (e) Lead Agencies shall certify that caregivers, teachers, and directors of child care providers within the State or service area will comply with the State's, Territory's, or Tribe's child abuse reporting requirements as required by section 106(b)(2)(B)(i) of the Child Abuse and Prevention and Treatment Act (42 U.S.C. 5106a(b)(2)(B)(i)) or other child abuse reporting procedures and laws in the service area.

The Department of Children, Youth & Families Licensing Policy 10.1.3.T Managing Facility Licensing Compliance Agreements, states in part:

1. Compliance Agreements Must Be Completed For Any Violation of RCW or WAC for Early Learning Programs

Violations must be cited immediately at the time when non-compliance is known if possible. Exceptions include:

- Staffing needed.
- Early Learning Provider or designee is not available.
- Violations identified through phone/email.
- Supervisory approval required for any other exceptions.

5. A FLCA Must Include:

- Complete WAC code number including subsection.
- Observations clearly describing the non-compliance issue in detail.

7. DCYF Must Verify Immediate Health And Safety Concerns Are Corrected Within 15 Business Days Of Citation

The Department of Children, Youth & Families Licensing Procedures 10.1.3.T Managing Facility Licensing Compliance Agreements, states in part:

- |          |  |
|----------|--|
| Licensor | <ol style="list-style-type: none"> <li>1. Determines non-compliance during a visit at an early learning program.</li> <li>2. Creates a FLCA form in WA Compass and documents WAC or RCW violation and observation.</li> <li>3. Discusses specific non-compliance with early learning provider.</li> <li>4. Verifies written plan of correction will correct the RCW and/or WAC non-compliance.</li> <li>5. Establishes a date that each non-compliance issue will be corrected. <ul style="list-style-type: none"> <li>• No more than 30 calendar days may be given from the date of non-compliance.</li> <li>• Non-compliance with health and safety issues must be corrected immediately if possible or within 10 business days.</li> </ul> </li> </ol> <p>Health and safety issues may include but is not limited to:</p> <ul style="list-style-type: none"> <li>• Health and safety hazards</li> </ul> |
|----------|--|

- Behavior management
- Supervision
- Staff and child interaction
- Group size/capacity
- Medication management
- Safe sleep practices
- Window blind cords that form a loop

5a. If provider requests more than 30 calendar days to correct noncompliance, consults with Supervisor for prior approval.

5b. If a health and safety item requires more than 10 business days, consults with supervisor for details of how health and safety requirements will be met.

5c. If an issue of non-compliance is corrected during the licensing visit, a health and safety recheck for that specific WAC is not required. Exceptions: see 10.1.16.T Managing Safe Sleep Practices and 10.1.6.T Managing Window Blinds And Coverings.

Facility Licensing Compliance Agreement Follow up:

Licensors 11. Verifies completion of FLCA citations through an on-site health and safety recheck. FLCA citations given 10 or fewer business days for correction must be verified within 15 business days from the date of non-compliance citation. All other FLCA citations requiring a recheck must be verified within 30 calendar days of citation.

11a. If unable to complete verification within required timeline, requests supervisor approval for extension.

Supervisors 12. Documents approval of extended timeline in WA Compass.

Licensors 13. If program is not in compliance or FLCA is not returned, consults with Supervisor to determine next steps.

14. Ensures "Date Completed" information has been recorded in WA Compass within 20 business days of receipt.

15. Documents health and safety recheck site visit in WA Compass within 10 business days.

**2019-040      The Department of Children, Youth, and Families improperly charged \$161,394 to the federal foster care grant.**

<b>Federal Awarding Agency:</b>	Department of Health and Human Services, Administration for Children and Families
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.658      Foster Care – Title IV-E
<b>Federal Award Number:</b>	G-1801WAFOST, G-1902WAFOST
<b>Applicable Compliance Component:</b>	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$161,394

## **Background**

The federal Foster Care – Title IV-E (Foster Care) program helps states provide safe and stable out-of-home care for children under the jurisdiction of the State’s child welfare agency until the children are returned home, placed with adoptive families, or placed in other planned, permanent arrangements. The program provides funds to reduce the costs of foster care for eligible children, reduce administrative costs to manage the program, and provide training for adults in the Foster Care program, including state agency staff, foster parents and certain private agency staff.

As of July 1, 2018, the Legislature created a new state agency that combined the Department of Social and Health Services (DSHS) Children’s Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families (Department) and is now responsible for managing the Foster Care program.

The Department is responsible for ensuring grant money is used only for costs allowable under the grant and that payments are adequately supported. During fiscal year 2019, the Department spent about \$124 million in federal grant funds, including over \$33 million paid to foster care service providers.

In prior audits, we reported DSHS improperly charged costs to the foster care grant. The prior finding numbers were 2018-038 and 2017-028.

## **Description of Condition**

The Department improperly charged \$161,394 to the federal foster care grant.

As part of the audit, we attempted to reconcile the Department’s payment data with its accounting records to ensure our testing population was complete. The accounting records showed the Department paid \$33,711,533 in federal funds to providers. However, according to the Department’s provider payment system, it spent only \$33,550,139 on these services. We asked the Department to explain the difference and provide supporting records to show what it spent the funds on. Department management decided not to research these costs. Therefore, we determined \$161,394 of the recorded federal expenditures was not supported.

Federal regulations require the auditor to issue a finding when the known or estimated questioned costs identified in a single audit exceed \$25,000. We are issuing this finding because the amount of known questioned costs we identified exceeded this amount.

### **Cause of Condition**

The Department believes the difference between the accounting record and the payment system resulted from multiple factors. These factors include contract payments made outside of the provider payment system, payment adjustments in its case management system and journal voucher adjustments. However, the Department did not provide records to support the variance.

### **Effect of Condition**

When an agency spends federal grant funds that are not adequately supported, it is non-compliant with federal regulations. The federal grantor may request the agency to repay the cost of the unsupported payments.

### **Recommendations**

We recommend the Department:

- Ensure only expenditures supported by the Department's accounting records are charged to the federal grant
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

### **Department's Response**

*The Department does not concur with the finding.*

*During the audit period, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Customer Service Contact Center program, formerly of the Department of Social and Health Services, into the Department effective July 2019. The cost allocation team responsible for researching the reconciliation difference were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*The auditors determined that \$161,394 of federal expenditures were not supported because this amount could not be reconciled between the Department's provider payment system (SSPS) and the State's accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.*



*The Title IV-E difference in expenditures between SSPS and AFRS is the result of multiple factors. These expenditures are paid outside of SSPS, but are recorded in AFRS. These expenditures include:*

- *Contractor payments*
- *Updates to SSPS and Famlink*
- *A-19 payments*
- *Recoveries received*
- *Adjustments needed to appropriately claim Title IV-E dollars*

*The Department will work with the Department of Health and Human Service if they determine question costs should be repaid.*

### **Auditor's Concluding Remarks**

We concur that the SSPS system is not the only payment mechanism used to pay for foster care services. As stated in the cause of the finding, we requested the Department provide documentation to explain the variance between SSPS and AFRS and it was unable to do so. Because the expenditures were not adequately supported, we are questioning the costs.

We reaffirm our finding and will follow-up with the Department in the next audit.

### **Applicable Laws and Regulations**

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) Improper payment means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) Improper payment includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D - Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) Audit findings reported. The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

**2019-041      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the Foster Care grant were allowable and properly supported.**

<b>Federal Awarding Agency:</b>	Department of Health and Human Services, Administration for Children and Families
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.658      Foster Care – Title IV-E
<b>Federal Award Number:</b>	G-1801WAFOST, G-1902WAFOST
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$7,976,305

### ***Background***

The federal Foster Care – Title IV-E (Foster Care) program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state’s child welfare agency until the children are returned home, placed with adoptive families, or placed in other planned, permanent arrangements. The Department of Children, Youth, and Families (Department) is responsible for managing the Foster Care program. The Department spent about \$124 million in federal grant funds during fiscal year 2019.

The Department operates the state’s Foster Care program under a demonstration-project waiver, or Family Assessment Response (FAR) program, which was approved in January 2014. The waiver allows the Department to waive standard eligibility rules for a specified period and to use federal funds more flexibly to operate projects that test innovative approaches to delivering and financing program services. The goal of the demonstration project is to improve the safety, permanency and well-being of the target population while being cost neutral to the federal awarding agency.

The Department is allowed to request federal reimbursement for salaries and benefits. The Department charges the cost of FAR program salaries and benefits directly to the foster care grant. The Department claimed \$7,976,305 in federal grant funds for FAR program salaries and benefits in fiscal year 2019. This amount represented 6.4 percent of total grant expenditures.

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

The Department did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the federal foster care grant were allowable and properly supported.

The Department said it did not complete any semi-annual certifications or implement any other method to support FAR program payroll costs during the audit period for employees charged directly to the grant.

We consider this internal control deficiency to be a material weakness. This condition was not reported in the previous audit.

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

The Department said it did not perform payroll certifications because of limited staffing resources. Management has focused its resources on the recent merger of multiple agencies and taking on the management of the Juvenile Rehabilitation Administration and the Child Care Subsidy Customer Service Contact Center program, which formerly were managed by the Department of Social and Health Services.

Additionally, the Department did not have written policies in place to ensure it adequately supported payroll costs paid for by federal grant funds.

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

The Department charged \$7,976,305 in direct payroll charges to the Foster Care program that were not adequately supported. We are questioning these costs.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate records to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Establish policies and procedures to ensure it adequately supports direct payroll costs charged to the federal grant
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with the State Auditor's Office that the Department did not comply with requirements to ensure direct payroll charges for the federal foster care grant were allowable and properly supported.*

*The Department does not concur that the FAR payroll charges were unallowable. The employees referenced in the finding are FAR program employees who are 100% eligible for payroll charges to the federal Foster Care – Title IV-E (Foster Care) grant and who do not perform duties other than those that are approved activities related only to the program. These direct payroll charges are documented in the Department's PACAP under Title IV-E Foster Care Waiver Summary and allows for direct allocation to the grant for the FAR payroll charges. The Department has internal controls in place around any changes to position coding to ensure direct charges to federal grants are allowable and accurate.*

*The Department does concur that semi-annual certifications were not completed timely.*

*As stated in the Cause of Condition, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Customer Service Contact Center program, formerly of the Department of Social and Health Services, into the Department effective July 2019. The cost allocation team responsible for completing the semi-annual certifications were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*As to the Auditor's specific recommendations:*

- *The Department implemented a payroll certification policy effective August 29, 2019.*
- *The Department will complete payroll certifications for SFY19.*
- *The Department will work with the Department of Health and Human Service if they determine question costs should be repaid.*

### ***Auditor's Remarks***

Without completing semi-annual certifications or implementing another method to support FAR program payroll costs during the audit period, there was no supporting documentation for us to examine to evaluate whether the payroll costs charged to the grant were allowable.

We reaffirm our finding and will follow-up with the Department in the next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the

Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.430 Compensation-personal services states:

a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) *Professional activities outside the non-Federal entity.* Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort



excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis

Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-042      The Department of Children, Youth, and Families made improper payments to Foster Care providers.**

<b>Federal Awarding Agency:</b>	Department of Health and Human Services, Administration for Children and Families
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.658      Foster Care – Title IV-E
<b>Federal Award Number:</b>	G-1801WAFOST, G-1902WAFOST
<b>Applicable Compliance Component:</b>	Eligibility
<b>Known Questioned Cost Amount:</b>	\$4,443,104

***Background***

The federal Foster Care – Title IV-E (Foster Care) program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state’s child welfare agency until the children are returned home, placed with adoptive families, or placed in other planned, permanent arrangements. The Department of Children, Youth, and Families (Department) is responsible for managing the Foster Care program. The Department spent about \$124 million in federal grant funds during fiscal year 2019.

On October 1, 2018, the Family First Prevention Service Act (FFPSA) became effective. The purpose of the FFPSA is to reduce incentives for states to place children in congregate care and increase the stringency of background check requirements at group homes. Under the FFPSA, states no longer could claim reimbursement for the cost of placing a child in a licensed group home facility unless that home’s licensing file contained proof that every individual working or volunteering in the facility successfully passed a national fingerprint-based background check.

During the audit period, the Department was operating under a provisional hire policy. The policy allowed a group care applicant who had lived three consecutive years in Washington before submitting their background check application, cleared a state background check and submitted fingerprints for a national check, to work and be paid for up to 120 days while the national check was pending.

***Description of Condition***

We found the Department materially complied with eligibility requirements for the Foster Care grant.

However, we found the Department paid \$4,443,104 to providers who had not passed background checks as required by the FFPSA before providing services to clients.

This condition was not reported in the previous audit.

***Cause of Condition***

The Department submitted a waiver request to the federal government to seek additional time to comply with the FFPSA. The request was denied in April 2019.

The Department gave us evidence to show how it identified the improper payments. However, these funds were not repaid to the federal government during the audit period. The Department has requested additional resources during the current Legislative session to fund the improper payments.

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

The Department charged \$4,443,104 to the federal grant that were not allowable. Therefore, we are questioning these costs.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate records to support its expenditures.

### ***Recommendations***

We recommend the Department consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

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

*The Department concurs with the audit finding that reimbursements made to group homes that had made provisional hires between October 1, 2018 and June 30, 2019 were unallowable.*

*Immediately after the president signed FFPSA into law on February 9, 2018, the Department began communicating with the group care facilities (stakeholders) about the new requirements. In response to stakeholder concerns, the Department agreed to continue placing and paying for children in group homes under the provisional hire policy and began seeking a waiver from HHS-ACF that would allow stakeholders more time to implement the necessary changes. However, in April of 2019, HHS-ACF denied the Department's request.*

*In response to HHS-ACF's decision, the Department drafted a new policy and notified the stakeholders that, effective July 1, 2019, it would no longer be placing children in group care facilities that did not meet the FFPSA background check requirements. Additionally, the Department calculated the amount of improper payments and submitted a budget request to the Legislature to repay the ineligible reimbursements.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

(a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs, states in part:

- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 45 U.S. Code of Federal Regulations Part 1356, *Requirements Applicable to Title IV-E*

Section 1356.30 Safety requirements for foster care and adoptive home providers, states in part:

- (a) The title IV-E agency must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.
- (f) In order for a child care institution to be eligible for title IV-E funding, the licensing file for the institution must contain documentation which verifies that safety considerations with respect to the staff of the institution have been addressed.

**2019-043      The Department of Children, Youth and Families did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.**

**Federal Awarding Agency:** Department of Health and Human Services, Administration for Children and Families  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.658 Foster Care – Title IV-E  
**Federal Award Number:** G-1801WAFOST, G-1902WAFOST  
**Applicable Compliance Component:** Special Tests and Provisions – Operation of a Foster Care Demonstration Project  
**Known Questioned Cost Amount:** None

### **Background**

The federal Foster Care – Title IV-E (Foster Care) program helps states provide safe and stable out-of-home care for children under the jurisdiction of the state’s child welfare agency until the children are returned home, placed with adoptive families, or placed in other planned, permanent arrangements.

As of July 1, 2018, the Legislature created a new state agency that combined the Department of Social and Health Services (DSHS) Children’s Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families (Department) and is now responsible for managing the Foster Care program. The Department spent about \$124 million in federal grant funds during fiscal year 2019.

The Department operates the state’s Foster Care program under a demonstration-project waiver approved in January 2014. The waiver allows the Department to waive standard eligibility rules for a specified period and to use federal funds more flexibly to operate projects that test innovative approaches to delivering and financing program services. The goal of the demonstration project is to improve the safety, permanency and well-being of the target population while being cost neutral to the federal awarding agency.

The Department’s approved demonstration project is the Family Assessment Response program (FAR). The purpose of the FAR program is to reduce the number of children placed in foster care by Child Protective Services (CPS). The FAR program accomplishes this by providing an alternative method for CPS to respond to non-emergent allegations of child-neglect. By using federal funds to reduce the need for foster care placement, the Department will, in theory, reduce the cost of operating its traditional foster care system, and thereby accomplish the project goals while not increasing the net cost of the program.

The Department must operate its regular Foster Care program in tandem with the demonstration project while the waiver is in effect. The costs for both programs must be separately identified and reported to the federal grantor each quarter based on whether they were standard Foster Care program costs or were allowable only because of the demonstration-project waiver. This provides



the Department and federal grantor some of the data needed to determine the project's effectiveness.

The demonstration project concluded September 30, 2019.

In the prior audit, we reported DSHS did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs. The prior finding number is 2018-037.

### **Description of Condition**

The Department did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.

When submitting its quarterly financial reports to the federal grantor, the Department did not accurately report the amount it spent on activities that were allowable only for a demonstration project, as required. Instead, the Department reported only those costs that were not allowed to be paid with demonstration funds as traditional foster care spending. All other spending was reported as demonstration project costs. This resulted in the Department improperly reporting a significant amount of traditional foster care costs as demonstration project spending.

We consider this internal control deficiency to be a material weakness.

This condition was reported in the prior audit.

### **Cause of Condition**

The Department did not completely understand the requirement for distinct accounting when it began operating under the demonstration-project waiver. The Department's accounting system was not designed to classify costs based on whether they were allowable or unallowable to be paid with demonstration project funds.

### **Effect of Condition**

Because the accounting system did not separately track both cost categories, the Department misreported the amount of expenditures related to the demonstration project to the federal grantor. Due to this lack of separate accounting, we could not determine the amount that was misreported.

### **Recommendations**

We recommend the Department:

- Revise its report preparation process and accounting system coding, if necessary, to enable it to separately identify both project cost categories
- Consult with the grantor about whether the Department must submit revised reports from prior years

## Department's Response

*The Department concurs with the finding.*

*While this is a repeat finding, the Department received the FY18 finding from the State Auditor's Office during February 2019, eight months after FY18 ended. Therefore, the Department was unable to revise its reporting process prior to the 2019 fiscal year.*

*During the last quarter of FY19, the Department's reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and demonstration project were revised. Additionally, the Department assigned specific Famlink codes for payments and tracking purposes.*

*The Department would also like to note the Demonstration project concluded September 30, 2019.*

*The Department will work with the grantor if revisions to prior reports are determined to be necessary.*

## Auditor's Concluding Remarks

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

## Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

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

- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Title 2 U.S. Code of Federal Regulations Part 200, Appendix XI, Compliance Supplement 2019, Part 3-Compliance Requirements, states in part:

Section N. Special Tests and Provisions, states in part:

2. Operation of a Foster Care Demonstration Project (Applicable Only for Title IV-E Agencies with ACF Approval to Operate a Foster Care Demonstration Project)

Compliance Requirement – Those Title IV-E agencies that receive approval to operate a foster care demonstration project for a specified period of time must do so in accordance with ACF-approved terms and conditions that define the operational parameters and the waivers granted. The funding for operation of such a project is subject to a cost neutrality limit that is calculated either through an experimental design (involving experimental group cases and either a control or matched comparison group process) or an established capped allocation table for identified populations (including agency-wide) in specific funding categories.

All Title IV-E agencies that operate a foster care demonstration project are also simultaneously continuing to operate the traditional (non-demonstration) foster care program for some portion of the agency's service population and/or funding. Operation of a foster care demonstration project, therefore, includes both the continuation of assistance payments and, where applicable, administration or training under the existing approved Title IV-E Plan and provision of project interventions or other waiver-based services for an identified population. Demonstration project operational costs, to the extent that they

provide payments, administration or training that is allowable for traditional Title IV-E foster care funding, must be in compliance with all applicable Title IV-E requirements (unless waived) and are subject to separate identification as part of financial reporting. Funding is also available, subject to separate ACF approvals, for the costs of demonstration project developmental and evaluation costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is

quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-044      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan Requirements.**

<b>Federal Awarding Agency:</b>	Administration for Children & Families
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.658      Foster Care Title IV-E 93.659      Adoption Assistance 93.778      Medical Assistance Program
<b>Federal Award Number:</b>	1801WAFOST; 1902WAFOST; 1801WAADPT; 1902WAADPT; 1805WA5MAP; 1805WA5ADM;
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Questioned Cost Amount:</b>	None

***Background***

The Department of Children, Youth, and Families (Department) uses the Random Moment Time Study (RMTS) to allocate costs for its headquarters and regional operations to the proper state and federal funds programs.

Department staff generally work on multiple programs and cases throughout a workday, which makes maintaining a timesheet difficult and time consuming. RMTS simplifies how the Department allocates the cost of time and effort to state and federal programs. RMTS is a sampling tool that is used to generate statistically valid statewide estimates of various activities performed by Department employees. The Department uses a system called FamLink to allow staff to work on client cases, document information, generate samples and compile RMTS results.

The Department's use of RMTS is included in its Public Assistance Cost Allocation Plan (PACAP) with the federal grantor. The PACAP is approved annually and outlines the general operating policies and procedures that RMTS staff must follow.

For the RMTS to properly calculate the percentages of activities performed by the Department, it must start by identifying a sampling universe that is accurate and complete. The sampling universe lists the eligible worker types to be included and is updated monthly to ensure all eligible workers are included in the sample. RMTS Coordinators and RMTS Headquarters (HQ) are responsible for keeping the list of sample workers current. Sampled workers are responsible for the accurate and timely completion of the RMTS sample and must complete samples within three business days. RMTS HQ performs a quality control review of all completed samples to ensure samples are being completed correctly. At the end of the month, the Department compiles the samples and enters results into the cost allocation system.

During fiscal year 2019, the Department used RMTS to allocate about \$88 million to the following federal programs: Foster Care-Title IV-E, Adoption Assistance, and Medical Assistance Program.

### *Description of Condition*

The Department did not have adequate internal controls over RMTS and did not comply with some Public Assistance Cost Allocation Plan requirements.

We randomly selected five out of the 12 monthly employee updates to determine whether the sampling universe was complete.

#### *RMTS Headquarters*

The Program Manager is responsible for creating monthly employee reports that show current staff that are in the sampling population and a report of employees who may be RMTS eligible. The Program Manager forwards these reports to the RMTS Coordinators asking for updates of employees on each report. Once program manager receives the RMTS Coordinators responses, the Program Manager updates FamLink to ensure the sampling universe is complete.

We found all five months the Program Manager created reports and communicated the reports to RMTS Coordinators. We also found that the Program Manager updates FamLink with responses from RMTS Coordinators.

#### *RMTS Coordinators*

RMTS Coordinators receive reports from the Program Manager asking for updates on employees in the reports. RMTS Coordinators review and send updates to the Program Manager, so updates can be made in FamLink to ensure the sampling universe is complete.

For the five months we reviewed, not all RMTS coordinators sent updates to the Program Manager regarding employee changes. Because the RMTS coordinators did not send updates, the sampling universe was not complete.

The Department had procedures in place, but they were ineffective in ensuring compliance with the PACAP. We consider this internal control deficiency to be a material weakness.

We consider these deficiencies to be a material weakness. This issue was not reported as a finding in the prior audit.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Department did not monitor RMTS coordinators to ensure that coordinators reviewed and sent updates to the Program Manager.

### *Effect of Condition*

The Department's inadequate internal controls affected the integrity of its RMTS sample universe. An erroneous sample could cause the costs charged by the Department for its headquarters and regional operations to federally funded programs to be unallowable according to the PACAP. If



the Department charged unallowable or unsupported costs to federal programs, the grantors could seek repayment for those costs.

### ***Recommendation***

We recommend the Department establish a process, including monitoring, to ensure RMTS sampling populations are complete.

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

*The Department concurs with the finding that some RMTS Coordinators did not update data in Famlink timely.*

*The Department is committed to the importance of the RMTS data and ensuring that data is entered accurately and timely to ensure the proper allocation of costs across the agency. In December 2019, the Department hired an Assistant Secretary for Child Welfare Field Operations. The Assistant Secretary and the Financial and Business Services Division will work to strengthen internal controls and improve the processes around the RMTS sampling populations.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.430 Compensation-personal services, states in part:

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific

activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

C-22-1, Department of Children Youth and Families RMTS Program Instructions, page 83, states in part:

Headquarters RMTS staff shall be responsible for the following actions:

Overseeing the system's monthly batching of new samples, which includes three variables:

- Random Starting Time
- Random Interval Time Random
- Employee List

The Headquarters RMTS Staff work with the RMTS Coordinators in order to keep the list of sampled workers current. Worker employment status changes should be reported by the social workers' supervisors to RMTS Coordinators. In addition, HQ Staff need to verify that each worker has an RMTS Worker Type associated with him or her and an RMTS Group linking the worker to his or her coordinator.

The Regional RMTS Coordinator shall be responsible for the following actions:

Notify HQ RMTS Staff of any updates to their worker list when there is any change in employment status of a worker participating in the RMTS survey within five working days of change. In addition, the coordinator needs to provide HQ RMTS Staff with an appropriate RMTS Worker Type code for each worker added to the system.

**2019-045      The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.**

<b>Federal Awarding Agency:</b>	Office of Child Care, Administration for Children & Families, Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.575      Child Care and Development Fund Cluster 93.658      Foster Care Title IV-E 93.659      Adoption Assistance 93.870      Maternal, Infant and Early Childhood Home Visiting Grant 93.778      Medical Assistance Program
<b>Federal Award Number:</b>	1801WATANF;1801WATAN3; 1901WATANF;1901WATAN3; G1801WACCDF; G1901WACCDF; 1801WAFOST; 1902WAFOST; 1801WAADPT; 1902WAADPT; UH4MC30465; UH4MC33157; X10MC32742; 1805WA5MAP; 1805WA5ADM;
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Questioned Cost Amount:</b>	None

***Background***

As a condition of receiving federal grant funds, the Department of Children, Youth, and Families (Department) must submit a public assistance cost allocation plan (PACAP) to the U.S. Department of Health and Human Services each state fiscal year. The PACAP describes how administrative costs of the Department are allocated to all funding sources including federal grants.

The Department uses the Cost Allocation System (CAS), a subsystem of the Agency Financial Reporting System (AFRS), to execute its PACAP. The Department develops appropriate methodologies and updates cost allocation base input tables that contain cost objectives, which automatically distributes the cost of payments to either state, local, or federal funding sources. The tables in CAS can be added, deleted, changed, or inactivated each calendar month.

As part of its cost allocation process, the Department establishes bases that are used to distribute costs to multiple funding sources. Each base consists of elements that are assigned a percentage that dictates how much of the original payment is allocated to it. For example, a base could be made up of three elements that allocate 35 percent, 25 percent and 40 percent, respectively, that will total 100 percent. Records of these bases are kept in workbooks that are reviewed and approved before being uploaded or keyed to AFRS for use.

In fiscal year 2019, the Department used CAS to allocate about \$220 million in administrative costs to federal programs, such as but not limited to: Child Care and Development Block Grant, Foster Care Title IV-E, Adoption Assistance, Maternal, Infant and Early Childhood Visiting Home Visiting and Medical Assistance Program.

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

The Department did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.

During fiscal year 2019, the Department established 156 total bases used to allocate costs. We randomly selected 26 to examine and found:

- Three instances when the Department did not have adequate documentation to show the updates made to the tables in CAS were accurate and supported
- One instance when there was no documented evidence to show that workbooks were reviewed and approved by a supervisor
- 12 instances when there was no documented evidence that the coding input into AFRS was reviewed to ensure its accuracy before being finalized
- Three instances when the person who input coding into AFRS was the same person who reviewed and finalized the input to ensure its accuracy. According to the Department, these duties should be segregated.

We consider these deficiencies to be a material weakness. This issue was not reported as a finding in the prior audit.

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

The Department said it did not keep proper documentation because of limited staffing resources. Management has focused its resources on the recent merger of multiple agencies and taking on the management of the Juvenile Rehabilitation Administration and the Child Care Subsidy Customer Service Contact Center program, which formerly were managed by the Department of Social and Health Services.

### ***Effect of Condition***

By not establishing adequate internal controls, there is an increased risk that the Department will not properly allocate costs to the federal government. Improper allocations could lead to improper payments, for which grantors could seek reimbursement from the Department.

### ***Recommendations***

We recommend the Department:

- Ensure there is adequate documentation to show what updates are made to base workbooks and that supervisors have reviewed and approved the updates
- Establish segregation of duties, with different people preparing and reviewing workbooks

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

*The Department concurs with the finding that adequate documentation was not maintained to show that proper internal controls were in place for changes made to the cost allocation bases in AFRS.*

*During the audit period, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Customer Service Contact Center program, formerly of the Department of Social and Health Services, into the Department effective July 2019. The cost allocation team responsible for completing the documentation for changes to AFRS bases were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*As to the Auditor's specific recommendations, the Department will provide training to cost allocation employees on segregation of duties and proper documentation for cost allocation base changes.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major



programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

## Appendix VI to Part 200—Public Assistance Cost Allocation Plans

### A. GENERAL

Federally-financed programs administered by state public assistance agencies are funded predominately by the Department of Health and Human Services (HHS). In support of its stewardship requirements, HHS has published requirements for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in Subpart E of 45 CFR Part 95. All administrative costs (direct and indirect) are normally charged to Federal awards by implementing the public assistance cost allocation plan. This Appendix extends these requirements to all Federal awarding agencies whose programs are administered by a state public assistance agency. Major federally-financed programs typically administered by state public assistance agencies include: Temporary Aid to Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant.

### B. DEFINITIONS

1. State public assistance agency means a state agency administering or supervising the administration of one or more public assistance programs operated by the state as identified in Subpart E of 45 CFR Part 95. For the purpose of this Appendix, these programs include all programs administered by the state public assistance agency.
2. State public assistance agency costs means all costs incurred by, or allocable to, the state public assistance agency, except expenditures for financial assistance, medical contractor payments, food stamps, and payments for services and goods provided directly to program recipients.

### C. POLICY

State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR Part 95. The plan will include all programs administered by the state public

assistance agency. Where a letter of approval or disapproval is transmitted to a state public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs. The remaining sections of this Appendix (except for the requirement for certification) summarize the provisions of Subpart E of 45 CFR Part 95.

**D. SUBMISSION, DOCUMENTATION, AND APPROVAL OF PUBLIC ASSISTANCE COST ALLOCATION PLANS**

1. State public assistance agencies are required to promptly submit amendments to the cost allocation plan to HHS for review and approval.
2. Under the coordination process outlined in section E, Review of Implementation of Approved Plans, affected Federal agencies will review all new plans and plan amendments and provide comments, as appropriate, to HHS. The effective date of the plan or plan amendment will be the first day of the calendar quarter following the event that required the amendment, unless another date is specifically approved by HHS. HHS, as the cognizant agency for indirect costs acting on behalf of all affected Federal agencies, will, as necessary, conduct negotiations with the state public assistance agency and will inform the state agency of the action taken on the plan or plan amendment.

**E. REVIEW OF IMPLEMENTATION OF APPROVED PLANS**

1. Since public assistance cost allocation plans are of a narrative nature, the review during the plan approval process consists of evaluating the appropriateness of the proposed groupings of costs (cost centers) and the related allocation bases. As such, the Federal Government needs some assurance that the cost allocation plan has been implemented as approved. This is accomplished by reviews by the Federal awarding agencies, single audits, or audits conducted by the cognizant agency for indirect costs.
2. Where inappropriate charges affecting more than one Federal awarding agency are identified, the cognizant HHS cost negotiation office will be advised and will take the lead in resolving the issue(s) as provided for in Subpart E of 45 CFR Part 95.
3. If a dispute arises in the negotiation of a plan or from a disallowance involving two or more Federal awarding agencies, the dispute must be resolved in accordance with the appeals procedures set out in 45 CFR Part 16. Disputes involving only one Federal awarding agency will be resolved in accordance with the Federal awarding agency's appeal process.
4. To the extent that problems are encountered among the Federal awarding agencies or governmental units in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance, as required, to resolve such problems in a timely manner.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-046      The Department of Health did not have adequate internal controls over and did not comply with requirements to ensure complaints for Medicaid hospitals were responded to promptly.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)
	Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Special Test – Provider Health and Safety Standards
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Centers for Medicare and Medicaid Services (CMS), which administers the program at the federal level, relies on states to regulate and license hospitals that serve Medicaid clients. Medicaid coverage for hospitals is authorized only when the facility is licensed by the state and certified by either the state survey agency (for non-deemed hospitals) or an accrediting organization (for deemed hospitals). The term “deemed” means the facility has voluntarily requested and received permission from the CMS to be certified by an accrediting organization, while hospitals that are “non-deemed” have not.

The Department of Health (Department) is the state licensing agency and is also responsible for investigating hospital complaints that meet the federal-prioritization level. The Department’s Office of Health Systems Oversight (OHSO) is responsible for coordinating and performing investigation surveys. The Department’s Office of Investigation and Legal Services (OILS) is the front line response system for providing the intake and assignment functions for complaints from staff, patients, accrediting organizations, and the public.

Deemed hospitals are surveyed for CMS certification by their accrediting organizations. However, the Department performs an investigation survey for complaints that meet the federal-prioritization level.

Complaints can be submitted to the OILS online or by mail, email or telephone. The OILS uses the Integrated Licensing and Regulatory System (ILRS) to input, prioritize and track complaints.

OILS intake staff review all report types regardless of delivery method before entering them into ILRS. OILS performs a check for imminent danger and then delivers the complaint to the Office of Customer Service where the paper file is scanned into a secure drive. Finally, the intake staff determine which Office or Commission within the Department to route the complaint to for further assessment.

In fiscal year 2019, OILS received 23,714 complaints, of which 1,074 were valid hospital complaints.

Complaints can also be submitted to the OHSO as a result of an on-site investigation already being conducted by the Department, from an accrediting organization, or directly from CMS. Complaints received from these sources guarantee the federal threshold for investigation has been met. Once a complaint has been identified as meeting the federal threshold for an investigation, the complaint is entered into the ASPEN Complaint Tracking System (ACTS). OHSO is responsible for reviewing, prioritizing and tracking the complaints. The following table lists the four priority levels for new complaints and their respective federal response times for non-deemed hospitals:

**Priority levels and response times for non-deemed hospitals**

Priority Levels	Required Response
Immediate Jeopardy	Initiate onsite survey within 2 working days of receipt
Non-Immediate Jeopardy High	Initiate onsite survey within 45 calendar days of prioritization
Non-Immediate Jeopardy Medium	Must investigate no later than when the next onsite survey occurs
Non-Immediate Jeopardy Low	Must track/trend for potential focus areas during the next onsite survey

The Department has full jurisdiction for complaints received against non-deemed hospitals. However, if a hospital is deemed and certified by an accrediting organization, the Department must receive CMS regional office authorization before investigating the complaint. The following table lists the four priority levels for new complaints and their respective federal response times for deemed hospitals:

**Priority levels and response times for deemed hospitals**

Priority Levels	Required Response
Immediate Jeopardy	Initiate onsite survey within 2 working days of receipt of regional office authorization
Non-Immediate Jeopardy High	Initiate onsite survey within 45 calendar days of receipt of regional office authorization
Non-Immediate Jeopardy Medium	Complainant is referred to the applicable accrediting organization(s)
Non-Immediate Jeopardy Low	Complainant is referred to the applicable accrediting organization(s)

In addition to the federal timelines listed above, Washington Administrative Code WAC 246-14-040 states in part (2) that the basic time period for initial assessment is 21 days.

The CMS State Operations Manual requires an assessment of each hospital complaint to be made by an individual who is professionally qualified to evaluate the nature of the problem based on his or her knowledge and experience of current clinical standards of practice and federal requirements. The complaints are then assigned to the field staff.

Case managers from the (OHSO) unit review the complaints for immediate jeopardy. If it does not identify immediate jeopardy, it prioritizes the complaint at the next weekly case management meeting. Once a decision is made that the complaint meets the federal-prioritization level for investigation, the case manager assigns the complaint to field staff or, for non-deemed hospitals, requests authorization from the regional office through ACTS to initiate an investigation.

In fiscal year 2019, the OHSO created 97 hospital complaints. The following table shows the number of complaints assigned to each priority level:

**Number and priority of hospital complaints created by OHSO**

Priority Level	Number of Complaints Created
Immediate Jeopardy	20
Non-Immediate Jeopardy high	60
Non-Immediate Jeopardy Medium	11
Referral-Other	2
No Action Necessary	4

OHSO field staff investigate the complaint and perform follow-up within the assigned priority time frame determined by the priority level noted in the above table.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with requirements to ensure complaints for CMS certified hospitals were responded to promptly.

We found the Department followed its established procedures. However, they were not designed effectively to prevent non-compliance with federal and state response timelines.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

Multiple offices were involved with the intake and processing of complaints before reaching the Department staff who made determinations about how to properly prioritize the complaints. Intake staff also stated that they had an increase in the number of complaints coupled with a lack of

staffing during that period. This prevented the Department from ensuring timely responses to hospital complaints.

### ***Effect of Condition***

The Department did not comply with the requirements related to assessment of and response to complaints.

We used a statistical sampling method to randomly select 57 out of 1,074 total hospital complaints received by OILS and found six (11 percent) complaints were not initially assessed within 21 days as required by state rule.

Additionally, we used a statistical sampling method to randomly select 15 out of 97 total hospital complaints that met the federal-deficiency threshold for investigation and found one (7 percent) non-immediate jeopardy high prioritized complaint that was not investigated within the federal timeframe of 45 calendar days.

When complaints are not received, prioritized and investigated in a timely manner, vulnerable patients are at a higher risk of abuse, neglect and substandard care.

### ***Recommendation***

We recommend the Department strengthen its internal controls to ensure it responds to hospital complaints as required by state and federal regulations.

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

*We appreciate the State Auditor's Office (SAO) audit of CMS hospital complaint response. DOH is committed to ensuring our programs comply with federal regulations and understand that it is SAO's point of view that we were not in compliance with the state and federal timelines. We recognize and are in the process of hiring 3 additional staff to assist with the intake process. We have reviewed our process with CMS and received a letter stating that they agree with the process that is currently in place.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:



- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a

control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Centers for Medicare and Medicaid, The State Medicaid Manual, Chapter 5 – Complaint Procedures, modified 09-19-14:

5075.2 – Non-Immediate Jeopardy – High Priority (for Nursing Homes and Deemed and Non-Deemed Non-Long Term Care Providers/Suppliers) states in part:

Intakes assigned this priority require an onsite survey to be initiated within 45 calendar days after intake prioritization for non-deemed providers/suppliers, and within 45 days calendar days after authorization of the investigation by the RO for deemed status providers/suppliers.

Washington Administrative Code WAC 246-14-040 Initial assessment of reports states:

- (1) Initial assessment is the process of determining whether a report warrants an investigation and becomes a complaint. The complainant and credential holder

or applicant will be notified as soon as possible after the initial assessment is complete.

- (2) The basic time period for initial assessment is twenty-one days.
- (3) All reports will be reviewed for imminent danger within two working days. If imminent danger is identified, the report will be immediately forwarded for processing.

**2019-047      The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.775 State Medicaid Fraud Control Units  
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  
93.778 Medical Assistance Program (Medicaid; Title XIX)  
**Federal Award Number:** 1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT  
**Applicable Compliance Component:** Allowable Costs/Cost Principles  
**Questioned Cost Amount:** None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and State funds during fiscal year 2019.

It is common for Medicaid beneficiaries to have one or more additional sources of coverage for health care services. Third-party liability refers to the legal obligation of third parties, such as insurance companies, to pay part or all of the expenditures for medical assistance furnished under a Medicaid state plan. By law, Medicaid is the “payer of last resort,” meaning all other available third-party resources must meet their legal obligation to pay claims before the Medicaid program pays for the care of an individual eligible for Medicaid.

The federal Deficit Reduction Act of 2005 (Act) requires health insurers to give states eligibility and coverage information that will enable Medicaid agencies to determine whether clients have third-party coverage. As a condition of receiving federal Medicaid funding, the Act directed states to enact laws requiring health insurers doing business in their state to provide the eligibility and coverage information necessary to determine whether Medicaid clients have third-party coverage. To comply with this requirement, in 2007 the Legislature passed Revised Code of Washington (RCW) 74.09A, which requires the Health Care Authority (Authority) to provide Medicaid client eligibility and coverage information to health insurers. As a condition of doing business with the State, the insurers must use that information to identify Medicaid clients with third-party coverage and provide those results to the Authority. The law requires the exchange of data to occur at least twice a year. The Authority must focus its implementation of the law on those health insurers with the highest probability of joint beneficiaries.

In January 2015, the U.S. Government Accountability Office (GAO) published audit report GAO-15-208, *Additional Federal Action Needed to Further Improve Third-Party Liability Efforts* for the Medicaid program. GAO found states commonly face challenges with their third-party liability efforts, such as health insurers refusing the provider coverage information or denying liability for procedural reasons.

Since 2008, we have reported findings regarding lack of internal controls over and noncompliance with State law in this area. Prior audit finding numbers were 2018-041, 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.

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

The Authority did not have adequate internal controls over and did not comply with a State law requirement to perform semi-annual data sharing with health insurers.

The U.S. Centers for Medicare and Medicaid Services developed the Payer Initiated Eligibility/Benefits (PIE) transaction format for data sharing. The Authority implemented this transaction format in July 2013. In October 2013, the Authority sent letters to 10 major insurance carriers with the most Medicaid clients, inviting them to begin data sharing. Three insurance networks organized under one carrier (Cambia Health Solutions) – Regence, Bridgespan and Assuris – have chosen to work with the Authority to implement the PIE transaction and share data.

During fiscal year 2018, the Authority refined the logic for uploading PIE data files into its Medicaid Management Information System, ProviderOne, to ensure accurate automated loading of data. However, the Authority could not complete data exchanges because of data file uploading issues. The Authority worked with the ProviderOne vendor and resolved the issues on June 1, 2018, with the file uploading process occurring weekly beginning in July 2018. The participating carrier provided data on 14.7 million policyholders. From these policyholders, the Authority successfully identified 193,419 Medicaid recipients. However, the remaining nine major carriers did not participate in the data exchange process.

The law (RCW 74.09A.020(1)) stipulates that the Authority must provide client data to health insurers, and the insurers must identify joint beneficiaries and send the information to the Authority. The law and the Authority's current practice do not align because the insurers are not conducting this identification. In practice, the data exchange is initiated by payers (insurers), and then the Authority uploads primary payer information into ProviderOne.

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

The Authority asserts it has no legal influence to enforce or compel private insurance carriers to participate in the PIE data exchange.

Prior findings for this area have been shown to the Legislature, and we have recommended the Authority seek and obtain legal authority to enforce the data sharing requirements prescribed in RCW 74.09A.020(2). Because of our recommendations, the Authority requested legislation to

modify the method and timing of data exchange with insurance carriers to help it comply. The bill proposed by the Authority did not receive legislative sponsorship.

### ***Effect of Condition***

Without performing the data exchange and cross-matching insurance claims, the Authority cannot completely and promptly identify Medicaid clients who have third-party coverage. This increases the Authority's risk of paying unallowable claims.

Because this finding reports non-compliance with State law, the Office of Financial Management must (RCW 43.09.312(1)) submit the agency's response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee, and the relevant fiscal and policy committees of the Senate and House of Representatives.

### ***Recommendations***

We recommend the Authority:

- Work with the Legislature to bring Washington into compliance with State law
- Continue its efforts to perform data matches with private insurers

### ***Authority's Response***

*The SAO is correct in stating that not all health insurers participate in semi-annual data sharing processes with the Health Care Authority (HCA) according to the specifics described in state law (RCW 74.09A.020(5)). The SAO is not correct in concluding that, because of this, HCA is not able to promptly identify Medicaid clients with third party insurance coverage.*

*Insurers do share data, and HCA has robust and effective processes for identifying and collecting from third parties, much of which happens on an on-going basis and in real time. These activities include data exchanges with insurers; data matching using information obtained from other governmental agencies; cross-matching of insurance claims; and regularly exchanging data with our Medicaid Managed Care Organizations (MCOs). Acting on behalf of HCA, as required by contract, MCOs perform data matches with insurance carriers in the State of Washington that includes the utilization of large national databases to identify third party coverage. MCOs regularly share the results of their data matches with HCA. HCA has found these activities to be very effective in the timely identification of third party insurers.*

*SAO's finding is based on a specific data exchange method which most carriers have chosen not to participate in and which HCA has no legal authority to enforce. SAO management stated it believes HCA should seek and obtain that legal authority through legislation, and continues this audit finding in support of that opinion. The Office of the Insurance Commissioner is responsible for regulating insurers, not HCA. HCA has requested legislation to amend the specific details of data exchange to align with the data exchange method used by HCA. This legislation will not give HCA enforcement authority to require insurers to participate in that specific data exchange.*

*HCA will continue to engage in a variety of effective third party liability identification activities, including encouraging insurance carriers to share data, as we have been doing for many years.*

### ***Auditor's Concluding Remarks***

State law (RCW 74.09A) requires the Authority to use a specific method of data exchange to accomplish third-party verification. The Authority is not using that method, putting it out of material compliance with the law.

The Authority does engage in other methods of third-party payment verification. However, the Authority will continue to be bound by the specific requirements of state law, just as our Office is bound by the requirement to audit to that standard. Because a state law is at issue, our Office suggested the Authority work with the Legislature on a resolution.

We reaffirm our finding and will review the status of this issue during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
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quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42, United States Code, Part 1396a(a)(25) State plan for medical assistance, states in part:

- (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties (including health insurers, self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974 [[29 U.S.C. 1167\(1\)](#)]), service benefit plans, managed care organizations, pharmacy benefit managers, or other parties that are, by statute, contract, or agreement, legally responsible for payment of a claim for a health care item or service) to pay for care and services available under the plan, including-
- (i) the collection of sufficient information (as specified by the Secretary in regulations) to enable the State to pursue claims against such third parties, with such information being collected at the time of any determination or redetermination of eligibility for medical assistance, and
  - (ii) the submission to the Secretary of a plan (subject to approval by the Secretary) for pursuing claims against such third parties, which plan shall be integrated with, and be monitored as a part of the Secretary's review of, the State's mechanized claims processing and information retrieval systems required under section 1396b(r) of this title;
- (H) that to the extent that payment has been made under the State plan for medical assistance in any case where a third party has a legal liability to make payment for such assistance, the State has in effect laws under which, to the extent that payment has been made under the State plan for medical assistance for health care items or services furnished to an individual, the State is considered to have acquired the rights of such individual to payment by any other party for such health care items or services; and

Revised Code of Washington 74.09A.005 Findings, states:

The legislature finds that:

- (1) Simplification in the administration of payment of health benefits is important for the state, providers, and health insurers;
- (2) The state, providers, and health insurers should take advantage of all opportunities to streamline operations through automation and the use of common computer standards;
- (3) It is in the best interests of the state, providers, and health insurers to identify all third parties that are obligated to cover the cost of health care coverage of joint beneficiaries; and
- (4) Health insurers, as a condition of doing business in Washington, must increase their effort to share information with the authority and accept the authority's timely claims consistent with 42 U.S.C. 1396a(a)(25).

Therefore, the legislature declares that to improve the coordination of benefits between the health care authority and health insurers to ensure that medical insurance benefits are properly utilized, a transfer of information between the authority and health insurers should be instituted, and the process for submitting requests for information and claims should be simplified.

Revised Code of Washington 74.09A.020 Computerized information — Provision to health insurers, states:

1. The authority shall provide routine and periodic computerized information to health insurers regarding client eligibility and coverage information. Health insurers shall use this information to identify joint beneficiaries. Identification of joint beneficiaries shall be transmitted to the authority. The authority shall use this information to improve accuracy and currency of health insurance coverage and promote improved coordination of benefits.
2. To the maximum extent possible, necessary data elements and a compatible database shall be developed by affected health insurers and the authority. The authority shall establish a representative group of health insurers and state agency representatives to develop necessary technical and file specifications to promote a standardized database. The database shall include elements essential to the authority and its population's health insurance coverage information.
3. If the state and health insurers enter into other agreements regarding the use of common computer standards, the database identified in this section shall be replaced by the new common computer standards.
4. The information provided will be of sufficient detail to promote reliable and accurate benefit coordination and identification of individuals who are also eligible for authority programs.
5. The frequency of updates will be mutually agreed to by each health insurer and the authority based on frequency of change and operational limitations. In no event shall the computerized data be provided less than semiannually.
6. The health insurers and the authority shall safeguard and properly use the information to protect records as provided by law, including but not limited to chapters 42.48, 74.09, 74.04, 70.02, and 42.56 RCW, and 42 U.S.C. Sec. 1396a and 42 C.F.R. Sec. 43 et seq. The purpose of this exchange of information is to improve coordination and administration of benefits and ensure that medical insurance benefits are properly utilized.
7. The authority shall target implementation of this section to those health insurers with the highest probability of joint beneficiaries.

**2019-048      The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.775 State Medicaid Fraud Control Units  
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  
93.778 Medical Assistance Program (Medicaid; Title XIX)  
**Federal Award Number:** 1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT  
**Applicable Compliance Component:** Special Tests and Provisions – Provider Eligibility-Provider Revalidation  
**Known Questioned Cost Amount:** None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

***Provider enrollment***

In March 2011, a new federal regulation required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Centers for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers, enrolled on or before March 25, 2011, must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider revalidation to September 25, 2016. This new deadline applied to all providers enrolled on or before September 25, 2011. After this deadline, all providers must be revalidated every five years from their initial enrollment date. As part of this updated guidance, CMS required states to notify all affected providers of the revalidation requirement by the original March 24, 2016, deadline.

***Provider screening risk levels***

The first step in revalidating a provider is to determine the provider’s screening risk level. A provider can be designated as one of three risk levels: limited, moderate or high. Each risk level requires progressively greater scrutiny of the provider before it can be revalidated. CMS issued

initial guidance on screening levels for specific provider types. For providers enrolled with both Medicare and Medicaid, state Medicaid agencies must assign providers to the same or higher risk category applicable under Medicare. In addition, certain provider behaviors require a provider to be moved to a higher screening risk level.

The following are the required screening procedures for each of the risk levels:

#### Limited risk

- Verify that provider meets applicable federal regulations or state requirements for provider type before making an enrollment determination
- Conduct license verifications, including for licenses in states other than where the provider is enrolling
- Conduct database checks to ensure providers continue to meet the enrollment criteria for their provider type

#### Moderate risk

- Perform the limited risk screening requirements
- Conduct onsite visits

#### Higher risk

- Perform the limited risk screening requirements
- Conduct a fingerprint-based criminal background check

According to federal regulation, state Medicaid agencies must adjust the categorical risk level of a particular provider from limited or moderate to high when any of the following situations occurs:

- A Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse. The provider's risk level remains high for 10 years after the date the payment suspension was issued.
- A provider that, upon applying for enrollment or revalidation, is found to have an existing state Medicaid plan overpayment.
- The provider has been excluded by the Office of Inspector General or another state's Medicaid program in the previous 10 years,
- A Medicaid agency or CMS, in the previous six months, lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider any time within six months from the date the moratorium was lifted.

#### *Fingerprint-based criminal background check*

In revalidating a provider's enrollment, the state Medicaid agency must conduct a fingerprint-based criminal background check when the agency has designated a provider as high

risk. A high-risk provider or a person with a 5 percent or more direct or indirect ownership interest in the provider is subject to the fingerprint check requirement. The deadline to fully implement a fingerprint-based criminal background check process was June 1, 2016. The full implementation date is the date when the state Medicaid agency is required to have completed each of the following tasks related to fingerprint-based criminal background checks:

- Notify each provider in the high risk category about the fingerprint-based criminal background check requirement
- Collect and use fingerprints to verify whether the provider or any other person with a 5 percent or more indirect ownership interest in the provider has a criminal history in the state or, if it chooses, at the national level
- Take necessary termination action based on the criminal history date and updated enrollment records to reflect fingerprint-based check status
- Indicate in the enrollment record for a provider in the high-risk category whether and when the provider passed, failed or failed to respond to the requirement for fingerprint-based criminal background checks

On August 1, 2017, CMS extended the deadline to implement a fingerprint-based criminal background check process to July 1, 2018.

Over 106,000 Medicaid providers were active in Washington during fiscal year 2019. The Health Care Authority (Authority), which administers the state's Medicaid program, spent about \$1.52 billion for fee-for-service claims billed by medical providers. In the prior audit, we reported the Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical fee-for-service providers were revalidated every five years and screening requirements were met. The prior finding numbers were 2018-042, 2017-033 and 2016-035.

### *Description of Condition*

We found the Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid medical providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.

#### *Provider enrollment*

In October 2018, the Authority implemented the Automated Provider Screening (APS) system, which performs all necessary data matches for providers participating in the Medicaid program. However, the Authority did not establish an adequate follow-up process to review the data match results and finalize the revalidation process.

#### *Provider screening levels*

The Authority implemented a risk level adjustment process for all situations except for overpayments in January 2019. A process to adjust risk levels for providers with overpayments was not implemented until October 2019.

### *Fingerprint-based criminal background check*

The Authority did not implement a fingerprint-based criminal background check process, as required by federal regulations.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

The Authority said that limited staff resources were the reason follow-up on the data match results was not completed and a fingerprint-based criminal background check process was not implemented.

The provider enrollment unit did not communicate to the Authority's Office of Program Integrity unit until October 2019 that providers with overpayments needed to be reported to the enrollment unit so that the providers' screening level could be adjusted.

### *Effect of Condition*

The Authority did not revalidate 92,825 out of 106,288 (87.3 percent) medical providers required to be revalidated as of July 1, 2019.

By not complying with federal provider revalidation, screening and fingerprint-based criminal background check requirements, the Authority is at higher risk of not detecting when medical providers are ineligible to provide services or be paid with Medicaid funds.

### *Recommendations*

We recommend the Authority:

- Implement internal controls designed to bring it into material compliance with the provider revalidation process
- Ensure it properly adjusts each provider's screening risk level
- Implement a process to conduct fingerprint-based criminal background checks for high-risk providers

### *Authority's Response*

*HCA is compliant with the revalidation requirement as of 11/23/2019. This means that as of 11/23/2019 all HCA providers have been:*

- *screened according to the ACA rules within the last 5 years during enrollment (i.e. enrolled after 11/23/2014) or*
- *screened according to the ACA rules within the last 5 years due to revalidation (i.e. revalidated since 11/23/2014) or*
- *Notified of an approaching revalidation.*



*As of October 2019 HCA has a process in place that ensures a provider's risk level is adjusted as required under federal requirements.*

*By July 2020, the Authority plans to implement the fingerprint based criminal background check requirement for enrollment applications and revalidations, and will conduct fingerprinting on the high risk providers whose risk category is adjusted due to federal requirements*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

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compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.414 Revalidation of enrollment

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Section 455.434 Criminal background checks

The State Medicaid agency -

- (a) As a condition of enrollment, must require providers to consent to criminal background checks including fingerprinting when required to do so under State law or by the level of screening based on risk of fraud, waste or abuse as determined for that category of provider.
- (b) Must establish categorical risk levels for providers and provider categories who pose an increased financial risk of fraud, waste or abuse to the Medicaid program.
  - (1) Upon the State Medicaid agency determining that a provider, or a person with a 5 percent or more direct or indirect ownership interest in the provider, meets the State Medicaid agency's criteria hereunder for criminal background checks as a “high” risk to the Medicaid program, the State Medicaid agency will require that each such provider or person submit fingerprints.
  - (2) The State Medicaid agency must require a provider, or any person with a 5 percent or more direct or indirect ownership interest in the provider, to submit a set of fingerprints, in a form and manner to be determined by the State Medicaid agency, within 30 days upon request from CMS or the State Medicaid agency.

Section 455.450 Screening levels for Medicaid providers.

A State Medicaid agency must screen all initial applications, including applications for a new practice location, and any applications received in response to a re-enrollment or revalidation of enrollment request based on a categorical risk level of “limited,” “moderate,” or “high.” If a provider could fit within more than one risk level described in this section, the highest level of screening is applicable.

- (a) Screening for providers designated as limited categorical risk. When the State Medicaid agency designates a provider as a limited categorical risk, the State Medicaid agency must do all of the following:
  - (1) Verify that a provider meets any applicable Federal regulations, or State requirements for the provider type prior to making an enrollment determination.

- (2) Conduct license verifications, including State licensure verifications in States other than where the provider is enrolling, in accordance with § 455.412.
- (3) Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.
  - (b) Screening for providers designated as moderate categorical risk. When the State Medicaid agency designates a provider as a “moderate” categorical risk, a State Medicaid agency must do both of the following:
    - (1) Perform the “limited” screening requirements described in paragraph (a) of this section.
    - (2) Conduct on-site visits in accordance with § 455.432.
  - (c) Screening for providers designated as high categorical risk. When the State Medicaid agency designates a provider as a “high” categorical risk, a State Medicaid agency must do both of the following:
    - (1) Perform the “limited” and “moderate” screening requirements described in paragraphs (a) and (b) of this section.
    - (2)(i) Conduct a criminal background check; and (ii) Require the submission of a set of fingerprints in accordance with § 455.434.
  - (d) Denial or termination of enrollment. A provider, or any person with 5 percent or greater direct or indirect ownership in the provider, who is required by the State Medicaid agency or CMS to submit a set of fingerprints and fails to do so may have its -
    - (1) Application denied under § 455.434; or
    - (2) Enrollment terminated under § 455.416.
  - (e) Adjustment of risk level. The State agency must adjust the categorical risk level from “limited” or “moderate” to “high” when any of the following occurs:
    - (1) The State Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse, the provider has an existing Medicaid overpayment, or the provider has been excluded by the OIG or another State's Medicaid program within the previous 10 years.
    - (2) The State Medicaid agency or CMS in the previous 6 months lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within 6 months from the date the moratorium was lifted.

Centers for Medicare and Medicaid Services, Center for Medicaid and CHIP Services, CMCS Informational Bulletin, dated December 21, 2011, states in part:

The Federal regulation at 42 CFR 455.414 requires States, beginning March 25, 2011, to complete revalidation of enrollment for all providers, regardless of provider type, at least every five years. Based upon this requirement, States must complete the revalidation process of all provider types by March 24, 2016.

Centers for Medicare and Medicaid Services (CMS) Sub Regulatory Guidance for State Medicaid Agencies (SMA): Revalidation (2016-001) states in part:

The federal regulation at 42 CFR 455.414 requires that state Medicaid agencies revalidate the enrollment of all providers, regardless of provider types, at least every 5 years. The regulation was effective March 25, 2011. Based on this requirement, in a December 23, 2011 CMCS Informational Bulletin, we directed states to complete the revalidation process of all provider types by March 24, 2016.

The purpose of this guidance is to revise previous guidance in order to align Medicare and Medicaid revalidation activities to the greatest extent possible. We are revising that previous guidance to now require a two-step deadline under which states must notify all affected providers of the revalidation requirement by the original March 24, 2016 deadline, and must have completed the revalidation process by a new deadline of September 25, 2016.

- (1) Deadline for SMA to revalidate providers enrolled on or before September 25, 2011. The Federal regulation at 42 CFR § 455.414 requires states, beginning March 25, 2011, to revalidate the enrollment of all Medicaid providers, regardless of provider type, at least every five years. Based upon this requirement, by March 24, 2016, states must notify providers that were enrolled on or before March 25, 2011 that they must revalidate their enrollment. On March 25, 2016, states that have notified all providers subject to the revalidation requirement will be considered compliant with the revalidation activities required as of that date.

**2019-049      The Health Care Authority did not have adequate internal controls to ensure Medicaid expenditures for Children’s Health Insurance Program Funds were allowable.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Questioned Cost Amount:</b>	\$4

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and State funds during fiscal year 2019.

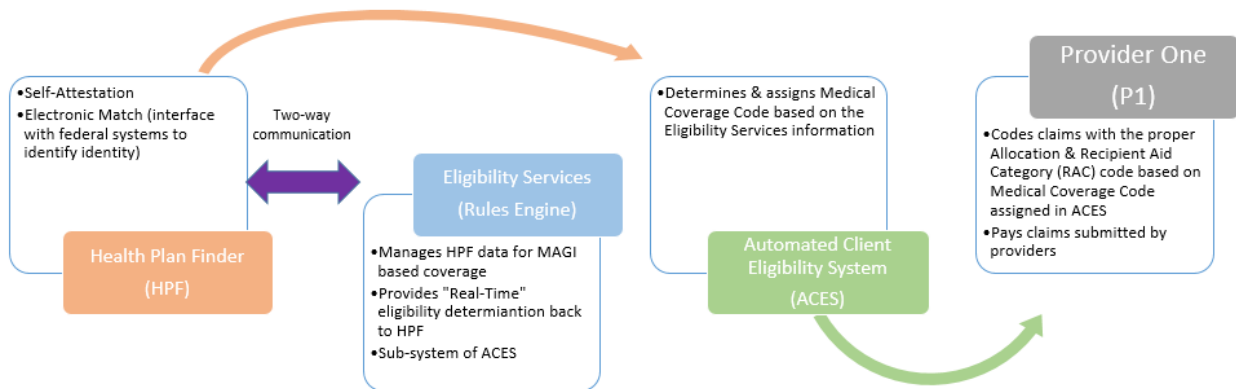
In fiscal year 2019, the state Medicaid program paid about \$84.2 million for Medicaid eligible children under 42 U.S. Code §1397ee authority.

In Washington, Medicaid and the CHIP program provide medical and behavioral health assistance for children up to 19 years old who reside in low-income households. Both programs are funded by State and federal money. Federal funds reimburse the State for about 88 percent of CHIP expenditures and 50 percent of Medicaid expenditures incurred by the Health Care Authority (Authority).

The State may claim additional CHIP funding when two conditions are met: a child is younger than 19 at the time of service and the child’s family income equals or exceeds 133 percent of the federal poverty level, but does not exceed the Medicaid applicable income level (which is 210 percent of the federal poverty level). If the Medicaid costs have already been claimed and reimbursed, the State submits a claim for the difference between the CHIP and Medicaid rates.

The following describes the process the Authority uses to identify Medicaid expenditures that are allowable for the additional CHIP funds:

- Medicaid eligibility is determined in the Eligibility Services system based on income information submitted by applicants through Health Plan Finder, [www.wahealthplanfinder.org](http://www.wahealthplanfinder.org), the online application system (see diagram below).
- The Eligibility Service then notifies ProviderOne, the Authority's Medicaid Management Information System, of the appropriate Recipient Aid Category (RAC) code for the children who are eligible for additional CHIP funds based on income information in the Automated Client Eligibility System (Eligibility System), Washington's social service program client eligibility system.
- The Authority creates a report showing all payments that ProviderOne assigns both a RAC code of 1204 and an allocation code of 3MXA; payments that are assigned both these codes are identified as allowable for additional CHIP funding.



The Authority uses ProviderOne to identify Medicaid expenditures and prepare a journal voucher based on the RAC and allocations to identify allowable Medicaid expenditures.

In prior audits, we reported the Authority did not have adequate internal controls to ensure additional CHIP funds were properly claimed for allowable Medicaid expenditures. The prior finding numbers were 2018-048, 2017-038, 2016-034, 2015-039, and 2014-037. Prior findings reported inadequate internal controls over additional CHIP funds for the Authority's fee-for-service and managed care claims.

### *Description of Condition*

The Health Care Authority did not have adequate internal controls to ensure Medicaid expenditures for Children's Health Insurance Program Funds were allowable.

The Authority performs a post-eligibility review on required programs, as outlined in the state's verification plan, to ensure Medicaid eligibility is properly determined.

However, it performs the review only when household income exceeds the Medicaid applicable income level. The applicable family income for Medicaid children is 210 percent of the federal poverty level. Additional CHIP funds are allowable for Medicaid children whose household income equals or exceeds 133 percent of the federal poverty level, but does not exceed 210 percent of that level. When a household's income is below 133 percent of the federal poverty level, the Authority does not conduct a post-eligibility review for Children's coverage.



Because the Authority did not perform post eligibility reviews for clients whose income was below 133 percent, it did not detect when RAC codes were incorrectly assigned to clients. This resulted in the Authority improperly claiming additional CHIP funds.

We used a statistical sampling method to randomly select and examine 87 clients of a total population of 282,328 who had a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. We reviewed the client eligibility to determine if the Authority properly coded the client and that the claims were allowable for additional CHIP funds. We identified four clients (4.6 percent) that were not coded to the correct RAC code and were not coded to the correct allocation code when the client's eligibility was determined for CHIP. These clients reported income below 133 percent of the federal poverty level.

We consider this internal control deficiency to be a significant deficiency.

### *Cause of Condition*

The Authority uses specific client eligibility criteria to determine claims that are allowable for additional CHIP federal funding. The Eligibility System is configured to accept changes to self-attested household income in Health Plan Finder during the certification period. Prior to July 2017, the ProviderOne system was not programmed to make changes in RAC assignment during the middle of the certification period. While the Authority fixed the previously identified issues around RAC assignment to ProviderOne in July 2017, the journal vouchers that were processed during the audit period included claims that were paid before the solution was implemented. For clients tested, eligibility determinations made after July 2017 were accurately determined and did not result in question costs.

### *Effect of Condition*

We used a statistical sampling method to randomly select and examine 87 clients of a total population of 282,328 who had a RAC code of 1204 and had paid fee-for-service and managed care claims with an allocation code of 3MXA during the period the claim was made for. We reviewed each client's income and age at the time of service to determine if the claim was allowable for the additional CHIP match.

We found that for four clients, claims of \$4 in additional CHIP federal funds were unallowable. When we project the results to the entire population of Authority claims, we estimate the total improper payments to be \$25,899.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our "best estimate

of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

### ***Recommendations***

We recommend the Authority:

- Continue to implement procedures to ensure additional CHIP funds are claimed only for eligible expenditures
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs and improper payments identified in the audit should be repaid

### ***Authority’s Response***

*The Authority does not agree with the SAO’s Description of Condition, Effect of Condition, or the estimated amount of improper payments. The Authority agrees with the actual questioned cost amount of \$4.*

*The questioned costs were due to a system issue identified during the 2016 audit. Certain RAC codes were not updating in ProviderOne when specific elements were missing during the annual renewal process. This RAC assignment issue was corrected in July of 2017. While the Authority agrees there were some ineligible costs, the cause of those instances was not due to PERs not being conducted, but rather costs that occurred prior to the July, 2017 system fix that were included in subsequent JVs.*

*The Authority will consult with its grantor to resolve the \$4 in unallowable charges.*

### ***Auditor’s Concluding Remarks***

We acknowledge that a system fix was implemented in July, 2017, but our fieldwork shows that the Authority did not have an appropriate monitoring and review process in place to ensure only allowable payments were being applied to the journal vouchers processed during the audit period.

We reaffirm our finding and will review the status of the Authority’s corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and

underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

## Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

## Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F - Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

## Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in

the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this

chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
  - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2019, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

#### General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable



credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.



42 U.S. Code §1397ee. Payments to States, states in part:

(g) Authority for qualifying states to use certain funds for Medicaid expenditures. -

(1) State option.—

(A) In general.—Notwithstanding any other provision of law subject to paragraph (4), a qualifying State (as defined in paragraph (2)) may elect to use not more than 20 percent of any allotment under section 1397dd of this title for fiscal year 1998, 1999, 2000, 2001, 2004, 2005, 2006, 2007, or 2008 (insofar as it is available under subsections (e) and (g) of such section) for payments under subchapter XIX of this chapter in accordance with subparagraph (B), instead of for expenditures under this subchapter .

(B) Payments to states.—

(i) In general.—In the case of a qualifying State that has elected the option described in subparagraph (A), subject to the availability of funds under such subparagraph with respect to the State, the Secretary shall pay the State an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX of this chapter with respect to expenditures described in clause (ii) if the enhanced FMAP (as determined under subsection (b) of this section) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).

(ii) Expenditures described.—For purposes of this subparagraph, the expenditures described in this clause are expenditures, made after August 15, 2003, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for medical assistance under subchapter XIX of this chapter to individuals who have not attained age 19 and whose family income exceeds 150 percent of the poverty line.

(iii) No impact on determination of budget neutrality for waivers.—In the case of a qualifying State that uses amounts paid under this subsection for expenditures described in clause (ii) that are incurred under a waiver approved for the State, any budget neutrality determinations with respect to such waiver shall be determined without regard to such amounts paid.

(2) Qualifying state.—In this subsection, the term “qualifying State” means a State that, on and after April 15, 1997, has an income eligibility standard that is at least 184 percent of the poverty line with respect to any 1 or more categories of children (other than infants) who are eligible for medical assistance under section 1396a(a)(10)(A) of this title or, in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on August 1, 1994, or July 1, 1995, has an income eligibility standard under such waiver for children that is at least 185 percent of the poverty line, or,

in the case of a State that has a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on January 1, 1994, has an income eligibility standard under such waiver for children who lack health insurance that is at least 185 percent of the poverty line, or, in the case of a State that had a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that was first implemented on October 1, 1993, had an income eligibility standard under such waiver for children that was at least 185 percent of the poverty line and on and after July 1, 1998, has an income eligibility standard for children under section 1396a(a)(10)(A) of this title or a statewide waiver in effect under section 1315 of this title with respect to subchapter XIX of this chapter that is at least 185 percent of the poverty line.

- (3) Construction.—Nothing in paragraphs (1) and (2) shall be construed as modifying the requirements applicable to States implementing State child health plans under this subchapter.
- (4) Option for allotments for fiscal years 2009 through 2015.—
  - (A) Payment of enhanced portion of matching rate for certain expenditures.—In the case of expenditures described in subparagraph (B), a qualifying State (as defined in paragraph (2)) may elect to be paid from the State's allotment made under section 1397dd of this title for any of fiscal years 2009 through 2015 (insofar as the allotment is available to the State under subsections (e) and (m) of such section) an amount each quarter equal to the additional amount that would have been paid to the State under subchapter XIX with respect to such expenditures if the enhanced FMAP (as determined under subsection (b)) had been substituted for the Federal medical assistance percentage (as defined in section 1396d(b) of this title).
  - (B) Expenditures described.—For purposes graph (A), the expenditures described in this subparagraph are expenditures made after February 4, 2009, and during the period in which funds are available to the qualifying State for use under subparagraph (A), for the provision of medical assistance to individuals residing in the State who are eligible for medical assistance under the State plan under subchapter XIX or under a waiver of such plan and who have not attained age 19 (or, if a State has so elected under the State plan under subchapter XIX, age 20 or 21), and whose family income equals or exceeds 133 percent of the poverty line but does not exceed the Medicaid applicable income level.

**2019-050      The Health Care Authority made improper Medicaid payments to clients that were not eligible for the Modified Adjusted Gross Income Medicaid program.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Allowable Costs Eligibility
<b>Known Questioned Cost Amount:</b>	\$1,589

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Affordable Care Act (ACA) requires states to establish a streamlined approach to enroll applicants into Medicaid. The ACA allows states to verify an applicant's income before or after enrollment. Washington's Health Care Authority (Authority) verifies income after enrollment, allowing clients to receive Medicaid services until the Authority makes a final eligibility decision. The Authority receives more than 500,000 new Medicaid applications each year.

The ACA established a new methodology for determining income eligibility for Medicaid, which is based on Modified Adjusted Gross Income (MAGI). MAGI is used to determine financial eligibility for Medicaid, the Children's Health Insurance Program (CHIP), and premium tax credits and cost sharing reductions available through the health insurance marketplace.

MAGI is the basis for determining Medicaid income eligibility for most children, pregnant women, parents, and adults. The MAGI-based methodology considers taxable income and tax filing relationships to determine financial eligibility for Medicaid.

To apply for Medicaid, most clients submit an application through Washington's Health Benefit Exchange website - HealthPlan Finder. As part of the application process, an individual must attest to their income, Social Security Number (SSN) and citizenship/immigration status, which is verified through a data exchange between the state's Automated Client Eligibility System (ACES) and federal systems. Information for most applicants are automatically verified. However, if the client's information is not verified, the Authority staff are required to complete a post-eligibility review to determine if the client is eligible for services.

In Washington, CHIP provides prenatal care coverage to undocumented immigrant pregnant women with countable income at or below the Medicaid standard. Labor and delivery services are considered emergency-related and covered by Medicaid. The State covers postpartum services for those undocumented immigrant women.

The Authority has established a MAGI-based eligibility verification plan that was approved by the Centers for Medicare and Medicaid Services. The plan describes the specific procedures the Authority performs to verify client information, such as income, SSN and citizenship.

When a client's attested income is not compatible with the federal cross-match, the Authority is responsible for verifying the information. Neither the verification plan, nor federal regulations, specify a specific timeline by when the verification must be performed. When a client's attested SSN or citizenship is non-compatible with the federal cross-match, federal regulations require the state to provide the individual with a reasonable opportunity period of 95 days from the date when such opportunity is noticed. For an individual covered by managed-care, the Authority provides coverage for 120 days considering that a monthly managed-care premium covers an entire month. If the individual's information has not been verified by the end of the reasonable opportunity period, the Authority must take action to terminate eligibility within 30 days.

In fiscal year 2019, the Authority paid about \$5.3 billion for services provided to Medicaid clients who were determined eligible based on the MAGI determination process.

### *Description of Condition*

The Health Care Authority made improper Medicaid payments to clients that were not eligible for the Modified Adjusted Gross Income Medicaid program.

We found the Authority had established adequate internal controls to ensure it was in material compliance with eligibility and allowable costs over payments to Medicaid clients.

We found the Authority did not follow up on identified incompatibilities between client attested information and the actual information on applications promptly.

We used a statistically valid sampling method to randomly select 45 clients from a population of 1,772,938 whose SSN's were federally verified and the Authority paid for Medicaid services during the audit period.

Additionally, we randomly selected 86 clients from a population of 27,574 whose SSN's were not federally verified and the Authority paid for Medicaid services during the audit period.

We found:

- One instance on a case where an eligible newborn was not followed up on appropriately to provide their SSN. During the audit period, the Authority paid \$67 in Medicaid funds when the client was not eligible.
- One instance when a post eligibility review was not completed within the time frame required by federal and state regulation for a client with an identified SSN/citizenship

incompatibility. During the audit period, the Authority paid \$344 in federal Medicaid funds when this client was not eligible.

We also found 17 clients who were enrolled in a MAGI pregnancy program for Not Lawfully Present clients whose services were paid for with federal Medicaid funds. The Authority staff confirmed the claims should not have been paid with Medicaid federal funds. Instead, these claims should have been paid with CHIP funds at a higher federal match rate. The Authority paid \$1,178 in federal Medicaid funds during the audit period.

This condition was not reported in the prior audit.

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

The Authority did not follow up on identified incompatibilities in accordance with its policies and procedures timely because of limited staffing resources.

The Authority was not able to determine the cause for the improper Medicaid payments for the 17 Not Lawfully Present pregnant clients.

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

We are questioning \$1,589, which is the federal portion of the unallowable payments made on behalf of clients who were not eligible to receive Medicaid services. Because we used a statistical sample to design our testing, we estimate the amount of likely improper payments to be \$913,361. The federal share of this estimate is \$456,680.

<b>Projection to population</b>	<b>Known questioned costs</b>	<b>Likely improper payments</b>
Federal expenditures	\$1,589	\$456,681
State expenditures	\$1,588	\$456,680
<b>Total expenditures</b>	<b>\$3,177</b>	<b>\$913,361</b>

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Authority:

- Follow its own policies and procedures to ensure post eligibility reviews are completed timely
- Consult with the U.S. Department of Health and Human Services to discuss whether the known questioned costs identified in the audit should be repaid

### ***Authority's Response***

*The Authority concurs with the findings and will work with its federal grantor to resolve the questioned costs. The Authority will also seek to claim the higher federal participation rate on the 17 identified cases claimed to Medicaid instead of the Children's Health Insurance Program (CHIP).*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.



- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

#### Section 433.300 Basis, states in part:

This subpart implements -



- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance, states in part:

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal,

no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

- (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
  - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.

42 U.S. Code of Federal Regulations 435.911 Determination of eligibility

- (a) Statutory basis. This section implements sections 1902(a)(4), (a)(8), (a)(10)(A), (a)(19), and (e)(14) and section 1943 of the Act.
- (b)(1) Except as provided in paragraph (b)(2) of this section, applicable modified adjusted gross income standard means 133 percent of the Federal poverty level or, if higher -
  - (i) In the case of parents and other caretaker relatives described in § 435.110(b), the income standard established in accordance with § 435.110(c) or § 435.220(c);
  - (ii) In the case of pregnant women, the income standard established in accordance with § 435.116(c) of this part;
  - (iii) In the case of individuals under age 19, the income standard established in accordance with § 435.118(c) of this part;
  - (iv) The income standard established under § 435.218(b)(1)(iv) of this part, if the State has elected to provide coverage under such section and, if applicable, coverage under the State's phase-in plan has been implemented for the individual whose eligibility is being determined.
- (2) In the case of individuals who have attained at least age 65 and individuals who have attained at least age 19 and who are entitled to or enrolled for Medicare benefits under part A or B or title XVIII of the Act, there is no applicable modified adjusted gross income standard, except that in the case of such individuals -
  - (i) Who are also pregnant, the applicable modified adjusted gross income standard is the standard established under paragraph (b)(1) of this section; or
  - (ii) Who are also a parent or caretaker relative, as described in § 435.4, the applicable modified adjusted gross income standard is the higher of the income standard established in accordance with § 435.110(c) or § 435.220(c).
- (c) For each individual who has submitted an application described in § 435.907 or whose eligibility is being renewed in accordance with § 435.916 and who meets the non-financial requirements for eligibility (or for whom the agency is providing a reasonable opportunity to verify citizenship or immigration status in accordance with § 435.956(b)) of this chapter, the State Medicaid agency must comply with the following -
  - (1) The agency must, promptly and without undue delay consistent with timeliness standards established under § 435.912, furnish Medicaid to each such individual whose household income is at or below the applicable modified adjusted gross income standard.
  - (2) For each individual described in paragraph (d) of this section, the agency must collect such additional information as may be needed consistent with § 435.907(c), to determine whether such individual is eligible for Medicaid on any basis other than the applicable modified adjusted gross income standard, and furnish Medicaid on such basis.

- (3) For individuals not eligible on the basis of the applicable modified adjusted gross income standard, the agency must comply with the requirements set forth in § 435.1200(e) of this part.
- (d) For purposes of paragraph (c)(2) of this section, individuals described in this paragraph include:
  - (1) Individuals whom the agency identifies, on the basis of information contained in an application described in § 435.907(b) of this part, or renewal form described in § 435.916(a)(3) of this part, or on the basis of other information available to the State, as potentially eligible on a basis other than the applicable MAGI standard;
  - (2) Individuals who submit an alternative application described in § 435.907(c) of this part; and
  - (3) Individuals who otherwise request a determination of eligibility on a basis other than the applicable MAGI standard as described in § 435.603(j) of this part.

#### 42 U.S. Code of Federal Regulations 435.916 Periodic renewal of Medicaid eligibility

- (a) Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).
  - (1) Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.
  - (2) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility without requiring information from the individual if able to do so based on reliable information contained in the individual's account or other more current information available to the agency, including but not limited to information accessed through any data bases accessed by the agency under §§ 435.948, 435.949 and 435.956 of this part. If the agency is able to renew eligibility based on such information, the agency must, consistent with the requirements of this subpart and subpart E of part 431 of this chapter, notify the individual -
    - (i) Of the eligibility determination, and basis; and
    - (ii) That the individual must inform the agency, through any of the modes permitted for submission of applications under § 435.907(a) of this subpart, if any of the information contained in such notice is inaccurate, but that the individual is not required to sign and return such notice if all information provided on such notice is accurate.
  - (3) Use of a pre-populated renewal form. If the agency cannot renew eligibility in accordance with paragraph (a)(2) of this section, the agency must -
    - (i) Provide the individual with -
      - (A) A renewal form containing information, as specified by the Secretary, available to the agency that is needed to renew eligibility.
      - (B) At least 30 days from the date of the renewal form to respond and provide any necessary information through any of the modes of

- submission specified in § 435.907(a) of this part, and to sign the renewal form in a manner consistent with § 435.907(f) of the part;
- (C) Notice of the agency's decision concerning the renewal of eligibility in accordance with this subpart and subpart E of part 431 of this chapter;
- (ii) Verify any information provided by the beneficiary in accordance with §§ 435.945 through 435.956 of this part;
- (iii) Reconsider in a timely manner the eligibility of an individual who is terminated for failure to submit the renewal form or necessary information, if the individual subsequently submits the renewal form within 90 days after the date of termination, or a longer period elected by the State, without requiring a new application;
- (iv) Not require an individual to complete an in-person interview as part of the renewal process.

#### 42 U.S. Code of Federal Regulations 435.920 Verification of SSNs

- (a) In redetermining eligibility, the agency must review case records to determine whether they contain the beneficiary's SSN or, in the case of families, each family member's SSN.
- (b) If the case record does not contain the required SSNs, the agency must require the beneficiary to furnish them and meet other requirements of § 435.910.
- (c) For any beneficiary whose SSN was established as part of the case record without evidence required under the SSA regulations as to age, citizenship, alien status, or true identity, the agency must obtain verification of these factors in accordance with § 435.910.

#### 42 U.S. Code of Federal Regulations 435.945 General requirements

- (a) Except where the law requires other procedures (such as for citizenship and immigration status information), the agency may accept attestation of information needed to determine the eligibility of an individual for Medicaid (either self-attestation by the individual or attestation by an adult who is in the applicant's household, as defined in § 435.603(f) of this part, or family, as defined in section 36B(d)(1) of the Internal Revenue Code, an authorized representative, or, if the individual is a minor or incapacitated, someone acting responsibly for the individual) without requiring further information (including documentation) from the individual.
- (b) The agency must request and use information relevant to verifying an individual's eligibility for Medicaid in accordance with §§ 435.948 through 435.956 of this subpart.
- (c) The agency must furnish, in a timely manner, income and eligibility information, subject to regulations at part 431 subpart F of this chapter, needed for verifying eligibility to the following programs:

- (1) To other agencies in the State and other States and to the Federal programs both listed in § 435.948(a) of this subpart and identified in section 1137(b) of the Act;
  - (2) Other insurance affordability programs;
  - (3) The child support enforcement program under part D of title IV of the Act; and
  - (4) SSA for OASDI under title II and for SSI benefits under title XVI of the Act.
- (d) All State eligibility determination systems must conduct data matching through the Public Assistance Reporting Information System (PARIS).
  - (e) The agency must, as required under section 1137(a)(7) of the Act, and upon request, reimburse another agency listed in § 435.948(a) of this subpart or paragraph (c) of this section for reasonable costs incurred in furnishing information, including new developmental costs.
  - (f) Prior to requesting information for an applicant or beneficiary from another agency or program under this subpart, the agency must inform the individual that the agency will obtain and use information available to it under this subpart to verify income and eligibility or for other purposes directly connected to the administration of the State plan.
  - (g) Consistent with § 431.16 of this subchapter, the agency must report information as prescribed by the Secretary for purposes of determining compliance with § 431.305 of this subchapter, subpart P of part 431, §§ 435.910 and 435.940 through 435.965 and of evaluating the effectiveness of the income and eligibility verification system.
  - (h) Information exchanged electronically between the State Medicaid agency and any other agency or program must be sent and received via secure electronic interfaces as defined in § 435.4 of this part.
    - (i) The agency must execute written agreements with other agencies before releasing data to, or requesting data from, those agencies. Such agreements must provide for appropriate safeguards limiting the use and disclosure of information as required by Federal or State law or regulations.
  - (j) Verification plan. The agency must develop, and update as modified, and submit to the Secretary, upon request, a verification plan describing the verification policies and procedures adopted by the State agency to implement the provisions set forth in §§ 435.940 through 435.956 of this subpart in a format and manner prescribed by the Secretary.
  - (k) Flexibility in information collection and verification. Subject to approval by the Secretary, the agency may request and use information from a source or sources alternative to those listed in § 435.948(a) of this subpart, or through a mechanism other than the electronic service described in § 435.949(a) of this subpart, provided that such alternative source or mechanism will reduce the administrative costs and burdens on individuals and States while maximizing accuracy, minimizing delay, meeting applicable requirements relating to the confidentiality, disclosure, maintenance, or use of information, and promoting coordination with other insurance affordability programs.



42 U.S. Code of Federal Regulations 435.948 Verifying financial information

- (a) The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying the financial eligibility of an individual:
  - (1) Information related to wages, net earnings from self-employment, unearned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State-administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act; and
  - (2) Information related to eligibility or enrollment from the Supplemental Nutrition Assistance Program, the State program funded under part A of title IV of the Act, and other insurance affordability programs.
- (b) To the extent that the information identified in paragraph (a) of this section is available through the electronic service established in accordance with § 435.949 of this subpart, the agency must obtain the information through such service.
- (c) The agency must request the information by SSN, or if an SSN is not available, using other personally identifying information in the individual's account, if possible.

42 U.S. Code of Federal Regulations 435.949 Verification of information through an electronic service

- (a) The Secretary will establish an electronic service through which States may verify certain information with, or obtain such information from, Federal agencies and other data sources, including SSA, the Department of Treasury, and the Department of Homeland Security.
- (b) To the extent that information related to eligibility for Medicaid is available through the electronic service established by the Secretary, States must obtain the information through such service, subject to the requirements in subpart C of part 433 of this chapter, except as provided for in § 435.945(k) of this subpart.

42 U.S. Code of Federal Regulations 435.952 Use of information and requests of additional information from individuals

- (a) The agency must promptly evaluate information received or obtained by it in accordance with regulations under § 435.940 through § 435.960 of this subpart to determine whether such information may affect the eligibility of an individual or the benefits to which he or she is entitled.
- (b) If information provided by or on behalf of an individual (on the application or renewal form or otherwise) is reasonably compatible with information obtained



by the agency in accordance with § 435.948, § 435.949 or § 435.956 of this subpart, the agency must determine or renew eligibility based on such information.

- (c) An individual must not be required to provide additional information or documentation unless information needed by the agency in accordance with § 435.948, § 435.949 or § 435.956 of this subpart cannot be obtained electronically or the information obtained electronically is not reasonably compatible, as provided in the verification plan described in § 435.945(j) with information provided by or on behalf of the individual.
  - (1) Income information obtained through an electronic data match shall be considered reasonably compatible with income information provided by or on behalf of an individual if both are either above or at or below the applicable income standard or other relevant income threshold.
  - (2) If information provided by or on behalf of an individual is not reasonably compatible with information obtained through an electronic data match, the agency must seek additional information from the individual, including -
    - (i) A statement which reasonably explains the discrepancy; or
    - (ii) Other information (which may include documentation), provided that documentation from the individual is permitted only to the extent electronic data are not available and establishing a data match would not be effective, considering such factors as the administrative costs associated with establishing and using the data match compared with the administrative costs associated with relying on paper documentation, and the impact on program integrity in terms of the potential for ineligible individuals to be approved as well as for eligible individuals to be denied coverage;
    - (iii) The agency must provide the individual a reasonable period to furnish any additional information required under paragraph (c) of this section.
  - (3) Exception for special circumstances. The agency must establish an exception to permit, on a case-by-case basis, self-attestation of individuals for all eligibility criteria when documentation does not exist at the time of application or renewal, or is not reasonably available, such as in the case of individuals who are homeless or have experienced domestic violence or a natural disaster. This exception does not apply if documentation is specifically required under title XI or XIX, such as requirements for verifying citizenship and immigration status, as implemented at § 435.956(a).
  - (d) The agency may not deny or terminate eligibility or reduce benefits for any individual on the basis of information received in accordance with regulations under § 435.940 through § 435.960 of this subpart unless the agency has sought additional information from the individual in accordance with paragraph (c) of this section, and provided proper notice and hearing rights to the individual in accordance with this subpart and subpart E of part 431.

- (a) Citizenship and immigration status.
  - (1) (i) The agency must -
    - (A) Verify citizenship status through the electronic service established in accordance with § 435.949 or alternative mechanism authorized in accordance with § 435.945(k), if available; and
    - (B) Promptly attempt to resolve any inconsistencies, including typographical or other clerical errors, between information provided by the individual and information from an electronic data source, and resubmit corrected information through such electronic service or alternative mechanism.
  - (ii) If the agency is unable to verify citizenship status in accordance with paragraph (a)(1)(i) of this section, the agency must verify citizenship either -
    - (A) Through a data match with the Social Security Administration; or
    - (B) In accordance with § 435.407.
- (2) The agency must -
  - (i) Verify immigration status through the electronic service established in accordance with § 435.949, or alternative mechanism authorized in accordance with § 435.945(k);
  - (ii) Promptly attempt to resolve any inconsistencies, including typographical or other clerical errors, between information provided by the individual and information from an electronic data source, and resubmit corrected information through such electronic service or alternative mechanism.
- (3) For purposes of the exemption from the five-year waiting period described in 8 U.S.C. 1613, the agency must verify that an individual is an honorably discharged veteran or in active military duty status, or the spouse or unmarried dependent child of such person, as described in 8 U.S.C. 1612(b)(2) through the electronic service described in § 435.949 or alternative mechanism authorized in accordance with § 435.945(k). If the agency is unable to verify such status through such service the agency may accept self-attestation of such status.
- (4) (i) The agency must maintain a record of having verified citizenship or immigration status for each individual, in a case record or electronic database in accordance with the State's record retention policies in accordance with § 431.17(c) of this chapter.
- (ii) Unless the individual reports a change in citizenship or the agency has received information indicating a potential change in the individual's citizenship, the agency may not re-verify or require an individual to re-verify citizenship at a renewal of eligibility under § 435.916 of this subpart, or upon a subsequent application following a break in coverage.

- (5) If the agency cannot promptly verify the citizenship or satisfactory immigration status of an individual in accordance with paragraph (a)(1) or (2) of this section, the agency
  - (i) Must provide a reasonable opportunity in accordance with paragraph (b) of this section; and
  - (ii) May not delay, deny, reduce or terminate benefits for an individual whom the agency determines to be otherwise eligible for Medicaid during such reasonable opportunity period, in accordance with § 435.911(c).
  - (iii) If a reasonable opportunity period is provided, the agency may begin to furnish benefits to otherwise eligible individuals, effective the date of application, or the first day of the month of application, consistent with the agency's election under § 435.915(b).
- (b) Reasonable opportunity period.
  - (1) The agency must provide a reasonable opportunity period to individuals who have made a declaration of citizenship or satisfactory immigration status in accordance with § 435.406(a), and for whom the agency is unable to verify citizenship or satisfactory immigration status in accordance with paragraph (a) of this section. During the reasonable opportunity period, the agency must continue efforts to complete verification of the individual's citizenship or satisfactory immigration status, or request documentation if necessary. The agency must provide notice of such opportunity that is accessible to persons who have limited English proficiency and individuals with disabilities, consistent with § 435.905(b). During such reasonable opportunity period, the agency must, if relevant to verification of the individual's citizenship or satisfactory immigration status -
    - (i) In the case of individuals declaring citizenship who do not have an SSN at the time of such declaration, assist the individual in obtaining an SSN in accordance with § 435.910, and attempt to verify the individual's citizenship in accordance with paragraph (a)(1) of this section once an SSN has been obtained and verified;
    - (ii) Promptly provide the individual with information on how to contact the electronic data source described in paragraph (a) of this section so that he or she can attempt to resolve any inconsistencies defeating electronic verification directly with such source, and pursue verification of the individual's citizenship or satisfactory immigration status if the individual or source informs the agency that the inconsistencies have been resolved; and
    - (iii) Provide the individual with an opportunity to provide other documentation of citizenship or satisfactory immigration status, in accordance with section 1137(d) of the Act and § 435.406 or § 435.407.
  - (2) The reasonable opportunity period -
    - (i) Begins on the date on which the notice described in paragraph (b)(1) of this section is received by the individual. The date on which the notice is received is considered to be 5 days after the date on the notice, unless

the individual shows that he or she did not receive the notice within the 5-day period.

- (ii) (A) Ends on the earlier of the date the agency verifies the individual's citizenship or satisfactory immigration status or determines that the individual did not verify his or her citizenship or satisfactory immigration status in accordance with paragraph (a)(2) of this section, or 90 days after the date described in paragraph (b)(2)(i) of this section, except that,
  - (B) The agency may extend the reasonable opportunity period beyond 90 days for individuals declaring to be in a satisfactory immigration status if the agency determines that the individual is making a good faith effort to obtain any necessary documentation or the agency needs more time to verify the individual's status through other available electronic data sources or to assist the individual in obtaining documents needed to verify his or her status.
- (3) If, by the end of the reasonable opportunity period, the individual's citizenship or satisfactory immigration status has not been verified in accordance with paragraph (a) of this section, the agency must take action within 30 days to terminate eligibility in accordance with part 431 subpart E (relating to notice and appeal rights) of this chapter, except that §§ 431.230 and 431.231 of this chapter (relating to maintaining and reinstating services) may be applied at State option.
- (4)
  - (i) The agency may establish in its State plan reasonable limits on the number of reasonable opportunity periods during which medical assistance is furnished which a given individual may receive once denied eligibility for Medicaid due to failure to verify citizenship or satisfactory immigration status, provided that the conditions in paragraph (b)(4)(ii) of this section are met.
  - (ii) Prior to implementing any limits under paragraph (b)(4)(i) of this section, the agency must -
    - (A) Demonstrate that the lack of limits jeopardizes program integrity; and
    - (B) Receive approval of a State plan amendment prior to implementing limits.

#### 42 U.S. Code of Federal Regulations 440.255 Limited services available to certain aliens

- (a) FFP for services. FFP is available for services provided to aliens described in this section which are necessary to treat an emergency medical condition as defined in paragraphs (b)(1) and (c) or services for pregnant women described in paragraph (b)(2).
- (b) Legalized aliens eligible only for emergency services and services for pregnant women. Aliens granted lawful temporary resident status, or lawful permanent resident status under sections 245A, 210 or 210A of the Immigration and Nationality Act, who are not in one of the exempt groups described in §§

- 435.406(a)(3) and 436.406(a)(3) and who meet all other requirements for Medicaid will be eligible for the following services -
- (1) Emergency services required after the sudden onset of a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in:
    - (i) Placing the patient's health in serious jeopardy;
    - (ii) Serious impairment to bodily functions; or
    - (iii) Serious dysfunction of any bodily organ or part.
  - (2) Services for pregnant women which are included in the approved State plan. These services include routine prenatal care, labor and delivery, and routine post-partum care. States, at their option, may provide additional plan services for the treatment of conditions which may complicate the pregnancy or delivery.
- (c) Effective January 1, 1987, aliens who are not lawfully admitted for permanent residence in the United States or permanently residing in the United States under the color of law must receive the services necessary to treat the condition defined in paragraph (1) of this section if -
- (1) The alien has, after sudden onset, a medical condition (including emergency labor and delivery) manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in:
    - (i) Placing the patient's health in serious jeopardy;
    - (ii) Serious impairment to bodily functions; or
    - (iii) Serious dysfunction of any bodily organ or part, and
  - (2) The alien otherwise meets the requirements in §§ 435.406(c) and 436.406(c) of this subpart.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

#### General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Washington State MAGI-Based Eligibility Verification Plan, states in part:

#### Income:

Washington State Health Care Authority (WA HCA), the state Medicaid/CHIP agency responsible for the MAGI population, enrolls the individual based on the self-attested income. The state retrieves data from the Hub and SWICA and then runs a report within a week of enrollment to determine if there are any inconsistencies between the attested income and the information from the data sources which would affect eligibility. If there are, caseworkers will first try to resolve the inconsistency by looking at additional data sources, such as TALX, SNAP, TANF. If an inconsistency still remains, the state will call the individual for an explanation. If that still does not resolve the inconsistency the state will request paper documentation.

When an individual attests to income higher than the Medicaid/CHIP standard we will take the person's attestation and screen for APTC.

**Social Security Number:**

WA HCA uses the Hub to verify social security numbers. If verification cannot be obtained through the data match will need to require paper documentation

**Citizenship:**

WA HCA uses the Hub to verify citizenship. If verification cannot be obtained through the data match will need to require paper documentation

**Immigration Status:**

WA HCA uses SAVE through the Hub's VLP service to verify immigration status at SAVE steps 1 and 2. WA HCA then uses its web-based connection to SAVE for step 3. If verification cannot be obtained through the data match will need to require paper documentation



**2019-051      The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Suspension and Debarment
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

Federal regulations prohibit grant recipients from contracting with or making subawards to parties suspended or debarred from doing business with the federal government. The grantee must verify that all contractors receiving \$25,000 or more in federal funds, or any subrecipients, have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor or subrecipient or inserting a clause into the contract where the contractor or subrecipient states it is not suspended or debarred. Alternatively, the grantee may search the federal System for Award Management (SAM). This requirement must be met before entering into the contract.

The Medicaid program has additional requirements to ensure Medicaid providers are not suspended or debarred. Federal regulations require state Medicaid agencies to determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of the List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System (EPLS). In November 2012, the EPLS system was replaced with the SAM database.

The regulation requires state Medicaid agencies to perform LEIE and EPLS/SAM checks upon enrollment and re-enrollment of providers. For all enrolled providers, owners and managing employees, LEIE and EPLS/SAM checks must be completed at least monthly.

Over 106,000 Medicaid providers were active in Washington during fiscal year 2019. The Health Care Authority (Authority), which administers the state's Medicaid program, spent about \$1.52 billion for fee-for-service claims billed by medical providers.

In the prior two audits, we reported the Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers. The prior finding numbers were 2018-046 and 2017-037.

### *Description of Condition*

We found the Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.

The Authority did not complete monthly EPLS/SAM database checks of medical fee-for-service providers for any months during our audit period. The EPLS/SAM database only has the ability to look up a single individual person or entity. This limitation, combined with the large number of providers, means that the Authority cannot complete EPLS/SAM checks individually for all providers monthly.

To resolve the issue, the Authority implemented the Automated Provider Screening (APS) process to conduct EPLS/SAM database checks for medical providers participating in the Medicaid program in October 2018. However, the Authority did not have an adequate follow-up process to review the data match results.

The Authority is working with the U.S. Department of Treasury to use the Do Not Pay database, including EPLS/SAM exclusion data, for the Authority's data match process.

We consider this internal control deficiency to be a material weakness.

### *Cause of Condition*

The Authority said that limited staff resources was the reason it did not complete follow-up on the data match results. The Authority has not been able to use the Do Not Pay database because the Authority has not finalized a data sharing agreement with the U.S. Department of Treasury.

### *Effect of Condition*

The Authority was not in compliance with monthly EPLS check requirements.

Not conducting required monthly database checks in a timely manner increases the risk that the Authority would not detect and prevent suspended or debarred providers from receiving federal Medicaid funds. Payments to providers who are suspended or debarred would be unallowable, and the Authority could be required to repay the grantor for any such payments.

## ***Recommendation***

We recommend the Authority establish adequate internal controls to ensure it completes required EPLS/SAM checks at least monthly.

## ***Authority's Response***

*As noted by the State Auditor's Office, the Authority conducts LEIE and EPLS database checks during the provider enrollment process for new enrollees and during re-validation.*

*The EPLS database checks are currently not conducted on a monthly basis by the Authority as there is a price associated with the SAM/EPLS database checks for an upload of more than one individual provider at a time. The Authority has not had adequate staffing nor the budget to pay to have these checks conducted on a monthly basis due to the volume of its providers.*

*The Authority's work to utilize the U.S. Department of Treasury's Do Not Pay database system has stalled on the Federal side. The Authority is exploring other opportunities which will provide the capability to upload the high volume of providers into SAM/EPLS and conduct the required checks on a monthly basis.*

*Under the Authority's Apple Health contract, Managed Care Organizations (MCOs) are delegated to conduct the LEIE and SAM/EPLS database checks on network providers, which account for the majority of contracted providers. Per the contract requirements, MCOs report, to the Authority, any provider who appears in any of the databases and terminates the provider as necessary. The MCOs have been compliant with the aforementioned contract requirements which reduces the Authority's risk.*

*Although there is a current gap in the Authority's ability to conduct the SAM/EPLS database checks on a monthly basis, there were no improper payments identified.*

## ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

## ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the

Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

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the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 2, U.S. Code of Federal Regulation, part 180, states in part:

**Subpart B- Covered Transactions**

A covered transactions is a nonprocurement or procurement transactions that is subject to the prohibitions of this part. It may be a transaction at –

- (a) The primary tier, between a Federal agency and a person (see appendix to this part); or
- (b) A lower tier, between a participant in a covered transaction and another person.

**Subpart C- Responsibilities of participants Regarding Transactions Doing Business With Other persons.**

§1800.300 what must I do before I enter into a covered transaction with another person at the lower tier.

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or

- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.436 Federal database checks

The State Medicaid agency must do all of the following:

- (a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee
- (b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded parties List System (EPLS) and any such other databases as the Secretary may prescribe.
- (c) (1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and  
(2) Check the LEIE and EPLS no less frequently than monthly.

**2019-052      The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure reports of potential fraud obtained through the Medicaid Service Verification process were investigated.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Special Tests and Provisions – Utilization Control and Program Integrity
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

For states, such as Washington, that use an automated claims processing system (ProviderOne), federal regulations require a specific method to be in place to verify with Medicaid clients that they received services billed by providers. The intent is to improve program integrity and identify potential fraud and abuse in the Medicaid program.

The specific verification method involves sending individual written notices, within 45 days of payment, to all or a sample group of Medicaid clients whose claims were processed through ProviderOne. Medical, nursing home, and social service claims are subject to the Medicaid service verification process. In fiscal year 2019, the Medicaid program spent over 4.6 billion for these types of claims.

If the verification process identifies a report of potential Medicaid fraud, the Authority must conduct preliminary investigations to determine if sufficient evidence exists to warrant a full investigation. If the Authority identifies a credible suspicion of fraud or abuse, it must forward the information to the Attorney General's Office, Medicaid Fraud Control Unit, for investigation.

In state fiscal year 2019, the Authority mailed Medicaid medical, nursing home, and social service verification surveys to randomly selected clients every month. The Authority selected clients to receive the survey based on payments made through ProviderOne.



In prior audits, we reported the Authority did not ensure it included eligible nursing home claims in the Medicaid service verification process. The prior finding numbers were 2018-043 and 2017-034. The Authority fully resolved the prior condition reported.

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

We found the Authority did not have adequate internal controls over and did not comply with requirements to ensure reports of potential fraud obtained through the Medicaid service verification process were investigated.

The Authority did not establish an effective process to ensure it complied with federal requirements.

We consider this control deficiency to be a material weakness.

The condition related to preliminary investigation referrals was not reported in the prior audit.

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

The Authority's Section of Program Integrity, which is responsible for the Authority's Medicaid service verification process, recently underwent a major reorganization. Staff assigned to the program were new to their positions. In addition, the Authority could not conduct preliminary investigations due to limited Fraud investigation staff.

### ***Effect of Condition***

We used a non-statistical sampling method and randomly selected five monthly reports from a total population of 12 monthly reports. For all five monthly reports tested, we found referrals for preliminary investigations were not completed when Medicaid service verifications indicated the client did not receive a billed service or was asked to pay for the service.

### ***Recommendation***

We recommend the Authority establish a process to ensure it performs preliminary investigations, as required, when allegations of Medicaid fraud or abuse are received.

### ***Authority's Response***

*The Authority agrees with the audit finding, and will improve internal controls to ensure compliance with federal requirements.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

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- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
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**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

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**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42, U.S. Code of Federal Regulations, Chapter IV, Subpart C—Mechanized Claims Processing and Information Retrieval Systems, section 433.110 Basis, purpose and applicability, states in part:

- (a) This subpart implements the following sections of the Act:
  - (1) Section 1903(a)(3) of the Act, which provides for FFP in State expenditures for the design, development, or installation of mechanized claims processing and information retrieval systems and for the operation of certain

systems. Additional HHS regulations and CMS procedures for implementing these regulations are in 45 CFR part 75, 45 CFR part 95, subpart F, and part 11, State Medicaid Manual; and

- (2) Section 1903(r) of the Act, which imposes certain standards and conditions on mechanized claims processing and information retrieval systems (including eligibility determination systems) in order for these systems to be eligible for Federal funding under section 1903(a) of the Act.

Title 42, U.S. Code of Federal Regulations, Section 433.116 FFP for operation of mechanized claims processing and information retrieval systems, states in part:

- (a) Subject to paragraph (j) of this section, FFP is available at 75 percent of expenditures for operation of a mechanized claims processing and information retrieval system approved by CMS, from the first day of the calendar quarter after the date the system met the conditions of initial approval, as established by CMS (including a retroactive adjustment of FFP if necessary to provide the 75 percent rate beginning on the first day of that calendar quarter). Subject to 45 CFR 95.611(a), the State shall obtain prior written approval from CMS when it plans to acquire ADP equipment or services, when it anticipates the total acquisition costs will exceed thresholds, and meets other conditions of the subpart.
- (b) CMS will approve enhanced FFP for system operations if the conditions specified in paragraphs (c) through (i) of this section are met.
- (c) The conditions of §433.112(b)(1) through (22) must be met at the time of approval.
- (d) The system must have been operating continuously during the period for which FFP is claimed.
- (e) The system must provide individual notices, within 45 days of the payment of claims, to all or a sample group of the persons who received services under the plan.
- (f) The notice required by paragraph (e) of this section—
  - (1) Must specify—
    - (i) The service furnished;
    - (ii) The name of the provider furnishing the service;
    - (iii) The date on which the service was furnished; and
    - (iv) The amount of the payment made under the plan for the service; and
  - (2) Must not specify confidential services (as defined by the State) and must not be sent if the only service furnished was confidential.
- (g) The system must provide both patient and provider profiles for program management and utilization review purposes.
- (h) If the State has a Medicaid fraud control unit certified under section 1903(q) of the Act and §455.300 of this chapter, the Medicaid agency must have procedures to assure that information on probable fraud or abuse that is obtained from, or developed by, the system is made available to that unit. (See §455.21 of this chapter for State plan requirements.)

Title 42, U.S. Code of Federal Regulations, Section 455.1 Basis and scope, states in part:

This part sets forth requirements for a State fraud detection and investigation program, and for disclosure of information on ownership and control.

- (a) Under the authority of sections 1902(a)(4), 1903(i)(2), and 1909 of the Social Security Act, Subpart A provides State plan requirements for the identification, investigation, and referral of suspected fraud and abuse cases. In addition, the subpart requires that the State—
  - (1) Report fraud and abuse information to the Department; and
  - (2) Have a method to verify whether services reimbursed by Medicaid were actually furnished to beneficiaries.

Title 42, U.S. Code of Federal Regulations, Section 455.14 Preliminary investigation states:

If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

Title 42, U.S. Code of Federal Regulations, Section 455.20 Beneficiary verification procedure states:

- (a) The agency must have a method for verifying with beneficiaries whether services billed by providers were received.
- (b) In States receiving Federal matching funds for a mechanized claims processing and information retrieval system under part 433, subpart C, of this subchapter, the agency must provide prompt written notice as required by §433.116 (e) and (f).

Health Care Authority, Office of Program Integrity (OPI) Procedure No. 2.1.2 states:

Medical Service Verification (MSV) Procedure  
Procedure:

- I. Selection and Issuance of MSVs.
  - A. Each month, using an automated random selection process, ProviderOne will issue 400 MSV forms to Washington Apple Health fee-for-service medical, nursing home and social service clients.
  - B. MSV mailings will:
    - 1. Exclude clients receiving confidential services
    - 2. Include a self-addressed stamped envelope for client to return to HCA;
    - 3. Include a Language Assistance Sheet; and
    - 4. Identify the specific service recipient
  - C. ProviderOne will create a report of all MSVs mailed.
    - 1. Report will be sent to PI Intake Coordinator and DSHS

2. PI Intake Coordinator will upload the report into the PI Intake Database
- II. Receipt of MSVs
  - A. Each returned MSV will be scanned into the ProviderOne system, batched by the date received and submitted to the Intake Coordinator
  - B. All social service MSVs will be forwarded to DSHS, per Service Level Agreement (SLA), for processing.
  - C. The Intake Coordinator will log all returned medical and nursing home MSVs into the PI Intake Database, whether services are designated as received or not.
  - D. The Intake Coordinator will refer all leads from medical and nursing home MSVs with potential fraud, waste or abuse to the appropriate Utilization Analyst for further research and analysis.
- III. The Utilization Analyst will:
  - A. Review the work of the Intake Coordinator, conduct further research and determine if a preliminary investigation is warranted.
  - B. Refer lead back to Intake Coordinator to close the MSV without action if a preliminary investigation is not required; or
  - C. Open a case in the Optum Case Tracking Module for assignment and conduct the preliminary investigation.
  - D. Follow the procedure for preliminary investigation and refer to CMT or for full investigation if indicated.
- IV. Quality Control and Reporting

**2019-053      The Health Care Authority, Section of Program Integrity, Audit and Investigations Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Special Tests and Provisions - Utilization Control and Program Integrity
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

Federal regulations require states to develop methods and criteria for identifying and investigating suspected fraud cases within the Medicaid program. In addition, the state Medicaid agency must develop procedures, in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials, including the State Medicaid Fraud Control Unit.

The Section of Program Integrity (Section) is the main office within the Health Care Authority (Authority) that performs program integrity reviews of Medicaid operations. The Section's mission is to identify, prevent and recover improper payments to providers and its contractors, and identify noncompliance with state and federal regulations as well as with contractual requirements.

This mission is carried out through:

- Data mining and analysis of payment transactions to identify potential fraud
- Conducting audits and reviews of health care providers, contractors, and subcontractors to ensure compliance with applicable laws and regulations
- Preventing future improper payments by recommending process improvements through amended program policies and Medicaid payment system edits



- Providing educational outreach to Medicaid providers, managed-care organizations, health care associations, and other Medicaid contractors to identify, report and prevent fraud

The Section's Audit and Investigations Unit is responsible for conducting medical and hospital audits to detect and prevent fraud, waste and abuse, and identify any associated improper payments. Medical audits are comprised of three types of audits: self-initiated, focused, and desk audit. Hospital audits are data-driven audits that primarily focus on review of payment coding. If suspected credible allegations of fraud are found, the Office refers the case to the Medicaid Fraud Control Unit.

During fiscal year 2019, the Audit and Investigations Unit performed 86 medical audits and 29 hospital audits.

In the prior audit, we reported the Authority's Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation. The prior finding number was 2018-047. The Data Analytics and Review Unit operates under different policies and procedures than the Audit and Investigations Unit.

### *Description of Condition*

The Authority's Section of Program Integrity, Audit and Investigations Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.

Federal law requires all state Medicaid agencies to establish methods and criteria for investigating suspected cases of fraud and procedures for referring suspected fraud to law enforcement officials. The Audit and Investigations Unit did not have any such policies and procedures pertaining to its audits. Because of this, we could not determine whether the Audit and Investigations Unit conducted its audits in accordance with established policies and procedures.

We consider this control deficiency to be a material weakness.

### *Cause of Condition*

The Section of Program Integrity had outdated policies and procedures for the Audit and Investigations Unit. These policies and procedures pertained to audits that estimated results, which are no longer performed by the Authority. The Section failed to update its policies and procedures to reflect its current audit practices due to management's decision upon the Audit and Investigations Unit's reorganization in 2017, and again during 2019.

The Audit and Investigations Unit did not set standards for documentation regarding audit case work. Additionally, management did not document reviews of audits and investigations to ensure all work performed by the auditors was accurate, complete, and adequately documented.

### ***Effect of Condition***

By not establishing policies and procedures to identify and investigate suspected fraud, the Authority did not meet federal program integrity requirements.

Because it did not require secondary reviews of provider audits, the Authority had no assurance that credible cases of fraud were properly identified and referred to the Medicaid Fraud Control Unit. Failure to identify suspected fraud cases increases the risk of undetected improper payments within the Medicaid program.

### ***Recommendations***

We recommend the Authority:

- Develop and implement policies and procedures for the Audit and Investigations Unit
- Require and document secondary reviews of each audit for accuracy and completeness
- Monitor audits to ensure they are performed and documented in accordance with Audit and Investigations Unit policies and procedures

### ***Authority's Response***

*The Authority agrees with the audit finding, and will improve internal controls to ensure compliance with federal requirements.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the

Committee of Sponsoring Organizations of the Treadway Commission (COSO).

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations Part 455, Program Integrity: Medicaid, Subpart A – Medicaid Agency Fraud Detection and Investigation Program, states in part:

455.13. Methods for identification, investigation, and referral.

The Medicaid agency must have –

- (a) Methods and criteria for identifying suspected fraud cases;
- (b) Methods for investigating these cases that –
  - (1) Do not infringe on the legal rights of persons involved; and
  - (2) Afford due process of law; and
- (c) Procedures, developed in cooperation with State legal authorities, for referring suspected fraud cases to law enforcement officials.

455.14. Preliminary investigation.

If the agency receives a complaint of Medicaid fraud or abuse from any source or identifies any questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation.

455.15. Full investigation.

If the findings of a preliminary investigation give the agency reason to believe that an incident of fraud or abuse has occurred in the Medicaid program, the agency must take the following action, as appropriate:

- (a) If a provider is suspected of fraud or abuse, the agency must –

- (1) In States with a State Medicaid fraud control unit certified under subpart C of part 1002 of this title, refer the case to the unit under the terms of its agreement with the unit entered into under § 1002.309 of this title;
- (b) If there is reason to believe that a beneficiary has defrauded the Medicaid program, the agency must refer the case to an appropriate law enforcement agency.
- (c) If there is reason to believe that a beneficiary has abused the Medicaid program, the agency must conduct a full investigation of the abuse.

#### 455.16. Resolution of full investigation.

A full investigation must continue until –

- (a) Appropriate legal action is initiated;
- (b) The case is closed or dropped because of insufficient evidence to support the allegations of fraud or abuse; or
- (c) The matter is resolved between the agency and the provider or beneficiary. This resolution may include but is not limited to –
  - (1) Sending a warning letter to the provider or beneficiary, giving notice that continuation of the activity in question will result in further action;
  - (2) Suspending or terminating the provider from participation in the Medicaid program;
  - (3) Seeking recovery of payments made to the provider; or
  - (4) Imposing other sanctions provided under the State plan.

Title 42 U.S. Code of Federal Regulations Part 456, Utilization Control, Subpart A – General Provisions, states in part:

#### 456.1. Basis and purpose of part.

- (b) The requirements in this part are based on the following sections of the Act. Table 1 shows the relationship between these sections of the Act and the requirements in this part.
  - (1) *Methods and procedures to safeguard against utilization of care and services.* Section 1902(a)(30) requires that the State plan provide methods and procedures to safeguard against unnecessary utilization of care and services.

#### 456.2. State plan requirements.

- (a) A State plan must provide that the requirements of this part are met.
- (b) These requirements may be met by the agency by:
  - (1) Assuming direct responsibility for assuring that the requirements of this part are met;

#### 456.3. Statewide surveillance and utilization control program.

The Medicaid agency must implement a statewide surveillance and utilization control program that –

- (a) Safeguards against unnecessary or inappropriate use of Medicaid services and against excess payments;
- (b) Assesses the quality of those services;
- (c) Provides for the control of the utilization of all services provided under the plan in accordance with subpart B of this part; and
- (d) Provides for the control of the utilization of inpatient services in accordance with subparts C through I of this part.

456.4. Responsibility for monitoring the utilization control program.

- (a) The agency must –
  - (1) Monitor the statewide utilization control program;
  - (2) Take all necessary corrective action to ensure the effectiveness of the program;
  - (3) Establish methods and procedures to implement this section;
  - (4) Keep copies of these methods and procedures on file; and
  - (5) Give copies of these methods and procedures to all staff involved in carrying out the utilization control program.

456.5. Evaluation criteria.

The agency must establish and use written criteria for evaluating the appropriateness and quality of Medicaid services.

Title 42 U.S. Code of Federal Regulations Part 456, Utilization Control, Subpart B – Utilization Control: All Medicaid Services, states in part:

456.23 – Post-payment review process.

The agency must have a post-payment review process that –

- (a) Allows State personnel to develop and review –
  - (1) Beneficiary utilization profiles;
  - (2) Provider service profiles; and
  - (3) Exceptions criteria; and
- (b) Identifies exceptions so that the agency can correct misutilization practices of beneficiaries and providers.

**2019-054      The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Questioned Cost Amount:</b>	\$114,435,961

### ***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and State funds during fiscal year 2019.

The Department of Social and Health Services' (Department) Developmental Disabilities Administration administers the Home and Community Based Services (HCBS) program for people with developmental disabilities. HCBS is a waiver program that permits states to provide an array of community-based services to help Medicaid clients live in the community and avoid institutionalization. States have broad discretion to design waiver programs, but those programs must be approved by the Centers for Medicare and Medicaid Services (CMS).

Supported living services support Medicaid clients to live in their own homes, generally with one to three other people, and receive instruction and support delivered by contracted service agencies (providers). Supported living clients pay their own rent, food and other personal expenses. Supported living is an option under the HCBS Core and Community Protection waivers. In fiscal year 2019, the state Medicaid program paid about \$502 million in federal and state funds to supported living agencies that provided care to about 4,000 Medicaid clients.

For the first half of the audit period (July 1 to December 31, 2018), the Department used a client assessment process that calculated the number of support hours each client needed to live successfully in the community. Beginning January 1, 2019, the Department implemented a new assessment process that assigned a tiered rate based on a client's support needs, instead of a rate



based on hours. Because the Department significantly changed its payment methodology halfway through the fiscal year, we planned our audit to assess both processes.

## **Client assessments and rate setting**

### *July 1 to December 31, 2018*

The Department used an assessment to evaluate the level of support clients need to live in the community. The assessment predicted a level of support as if the client lives alone. However, because some support services can be shared with housemates, the Department looked for opportunities to help providers support clients in a cost-effective manner, termed economies of scale.

Through a rate-setting process, Department resource managers worked with providers to determine how the assessed level of support would be delivered and the number of daily direct service hours that would be provided. A State rule required providers to obtain Department approval of schedules to provide 24-hour support when household configurations changed or when additional staffing was requested or needed by a client. Once determined, a daily rate was loaded into the Department's payment system, and providers accessed the system to claim payment for each day of service that was provided.

### *January 1 to June 30, 2019*

Beginning January 1, 2019, the Department implemented a tiered payment rate. One of the reasons for the change to the rate methodology is to allow service providers more flexibility in delivering services to clients. The Department uses the same assessment tool to evaluate the level of support clients need to live in the community. However, instead of calculating and assessing a level of support in terms of hours, the Department has established a model that assigns clients to a daily rate in one of nine tiers.

Daily rates are still loaded into the Department's payment system, and providers claim payment for each day they provide services to clients.

## **Cost reports**

### *July 1 to December 31, 2018*

Providers prepared and submitted a cost report at the end of the calendar year. The Department used cost report information to:

- Provide program cost data to regional managers and residential providers;
- Establish rates or allocate appropriated funds;
- Determine settlements with supported living providers;
- Provide information to the Legislature and the Department for budget development and policy decisions; and
- Provide accountability and transparency for the use of public funds.

The cost report consisted of 16 different schedules of provider information. The Department established a template, accompanied by detailed instructions that all providers must use when preparing cost reports. Providers were required to attest to the accuracy of the reported information.

In its approved Core and Community Protection waiver, the Department stated that cost reports are desk audited to determine accuracy and the reasonableness of reported costs. The Department also established a policy stated it will analyze the cost reports and financial statements of each provider to determine if the submitted information is correct and complete, and that the information conformed with generally accepted accounting principles and applicable policies rules and regulations.

From July 1, 2018, to December 31, 2018, the Department paid \$279,483,817 to supported living providers.

#### *January 1 to June 30, 2019*

The Department still requires that supported living providers prepare and submit a cost report at the end of each calendar year. The Department has established a revised template with detailed instructions. Providers must attest to the accuracy of the reported information. The Department said it will use the 2019 cost reports information to:

- Provide program cost data to regional managers and residential providers;
- Determine settlements with supported living providers;
- Provide information to the Legislature and the Department for budget development and policy decisions; and
- Provide accountability and transparency for the use of public funds.

This information will not be submitted by providers until March 31, 2020.

In its newly approved Core and Community Protection waiver, the Department states it reconciles purchased support services with provided support services for the past calendar year. Cost reports are desk audited to determine the accuracy and reasonableness of the reported costs. The Department also updated its internal policy requiring providers to maintain a system to show instruction and support service (ISS) funds have been used only to provide ISS.

From January 1, 2019 to June 30, 2019, the Department paid \$222,997,501 to supported living providers.

## **Settlements**

#### *July 1 to December 31, 2018*

After reviewing cost reports, the Department established settlements when providers were paid for more direct service hours than they provided in a calendar year (Settlement A) or when providers received more reimbursement (in dollars) for direct support costs than they actually incurred during the year (Settlement B). Settlements were based on a provider's attestation of total hours provided or the total direct support dollars reimbursed, during the year. The Department's policy required that providers refund the greater amount of Settlement A or B.

Once settlements were assessed, they were forwarded to the Department's collection arm, the Office of Financial Recovery (OFR), which recorded an overpayment and sought repayment from providers.

*January 1 to June 30, 2019*

The Department amended its policy, but will continue to review cost reports after each calendar year. Because it no longer assesses a client's level of support in terms of hours, settlements will occur when the Department paid for more direct support than providers spent to provide those services. Settlements will no longer be calculated in terms of hours (formerly Settlement A). If settlements are assessed, they will still be forwarded to OFR for collection.

## **Provider documentation requirements**

*July 1 to December 31, 2018*

According to Department policy, providers were required to maintain detailed payroll records, by employee, of the hours and costs reported on their cost reports. The Department could request job descriptions for employees to verify the duties of positions. Paid hours and payroll costs for direct hours to clients had to be verifiable in provider records. This included employee timesheets and schedules for actual hours worked. In its cost report instructions, the Department stated the detailed payroll information did not need to be submitted with cost reports. The Department established a template that providers could use to organize the information, but providers were allowed to use their own payroll records.

When a provider used its own payroll records, the Department's instructions required that the information clearly show the distinction between direct and non-direct hours and wages for the provider's employees and that each employee be assigned to one of seven different job classification categories. Providers were required to produce detailed payroll records if requested by the Department for auditing purposes.

*January 1 to June 30, 2019*

Providers still must maintain supporting documentation that allows the Department to verify the cost of services provided to clients. The Department's revised policy states that payroll costs charged for ISS services must be verifiable in the provider's records.

Providers must retain detailed monthly or quarterly payroll and supporting records that support the amounts on their cost reports.

## **Prior audit findings**

In prior audits, we reported the Department did not have adequate internal controls over and did not comply with requirements to ensure payments to supported living providers were allowable. The prior finding numbers were: 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038 and 12-39.

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

The Department's Developmental Disabilities Administration did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.

## **July 1 to December 31, 2018**

### ***Cost reports and settlements***

After obtaining cost reports from providers for the 2018 calendar year, the Department did not establish adequate procedures to verify if the direct hours reported as worked, or the cost to provide those hours, were accurate and conformed with generally accepted accounting principles.

In calendar year 2019, the Department paid 129 different agencies who provided supported living services. We used a statistically valid sampling method to randomly select 69 of 127 cost reports the Department obtained from providers for the 2018 calendar year. We also selected two providers who, at the time of audit, had not submitted their cost reports. We then independently requested payroll records from the providers to perform our own reconciliation. All but one provider submitted cost reports to the Department and responded to our request for records.

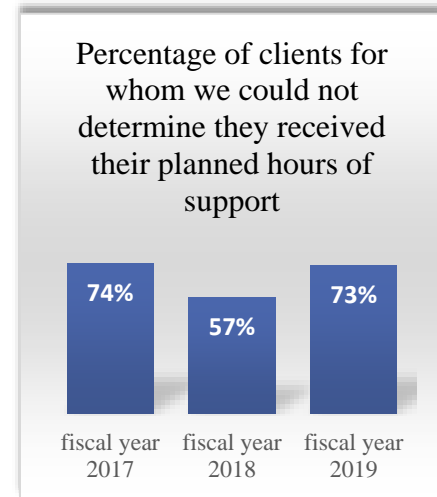
During our examination of the records, we found:

- Twenty instances (28 percent) when payroll records submitted by providers did not fully support the number of direct service hours that were reported on their cost reports
- Thirty-nine instances (55 percent) when providers did not properly categorize their employees as required by the Department's instructions
- Thirty-eight instances (54 percent) when providers were paid for more direct service hours than they reported on their cost reports. Before making this conclusion, we reviewed and considered the information the Department forwarded to OFR to be collected.

### *Employee timesheets*

The Department pays providers for a client's assessed level of support hours. We used a statistical sampling method to randomly select and examine 67 monthly payments from a population of 28,039 monthly payments made for client support hours. We requested employee timesheets and work schedules from providers for the selected months and reconciled employee direct support hours provided to clients to the hours the providers said they planned to provide to clients during the month. In 49 instances (73 percent), we could not determine that providers delivered a client's planned level of hourly support.

Specifically, we identified 73,936 support hours that providers reported to the Department they planned to provide to clients based on their residential staffing plans. Of those hours, we verified providers delivered 65,004<sup>1</sup> support hours.



For 8,932 hours (12 percent), we could not determine if the support hours were provided because either employees were not scheduled to work or supporting documentation was lacking.

For one of the households in our sample, the provider responded to our request for timesheets, but because of poor record keeping, we could not determine if any hours of support were delivered to sampled clients.

For four (6 percent) of the households in our sample, the provider responded to our request for documents, but because the Residential Staffing Plan was not provided, we could not determine if the hours of support delivered to the sampled client were the required amount.

### **January 1 to June 30, 2019**

Because cost reports are prepared on a calendar year basis, the Department had not collected the reports for 2019 by the end of the audit period. Therefore, we could not assess the effectiveness of the Department's review process since the new, tiered rate payment system was implemented. We will evaluate this process in the next audit.

Instead, we randomly selected monthly payments, totaling \$789,502, for 67 clients paid to providers for supported living services. We requested documentation from the Department to show evidence that the funds paid for direct client services were spent only on direct client services by the supported living providers.

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<sup>1</sup> Does not include hours reported by the agencies that exceeded their contracted amount.

The Department provided evidence showing client service plans and rates had been reviewed and approved by Department staff. The Department also provided client progress notes, goals and objectives and other corresponding data to support services provided to clients. However, it provided no evidence to support the funds paid to supported living providers for direct client services were used only to provide instruction and support services.

The Department did not establish a process to review payments made to supported living providers during the first six months of calendar year 2019.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

#### **July 1 to December 31, 2018**

##### *Cost reports and settlements*

The Department said it did not dedicate resources to verify the accuracy of the information submitted by providers for calendar year 2017 cost reports. For the calendar year 2018 cost reports, the Department said it performed procedures in the late spring and early summer of 2019 to verify the costs that some providers reported in their cost reports. We did not evaluate this activity because it was completed outside the audit period. The Department also said it performed no monitoring to confirm if providers complied with cost report instructions.

During the audit period, the Department issued guidance to providers to request an exception to credit the cost of overtime on their cost reports when calculating Settlement A (hours paid minus hours provided). This practice was not described in its Core and Community Protection waiver with CMS.

##### *Employee timesheets*

The Department did not perform procedures to determine if a client received their assessed level of support hours, or reconcile the payments to provider timesheets. Rather, it relied on the cost settlement process to determine if a provider delivered the total number of contracted hours to all clients in their agency during the calendar year.

#### **January 1 to June 30, 2019**

The Department plans to rely on the 2019 calendar year cost reporting process to obtain assurance about payments it made during the second half of the audit period. The 2019 cost reports are not due until March 31, 2020.

### *Effect of Condition and Questioned Costs*

#### **July 1 to December 31, 2018**

##### *Cost reports and settlements*

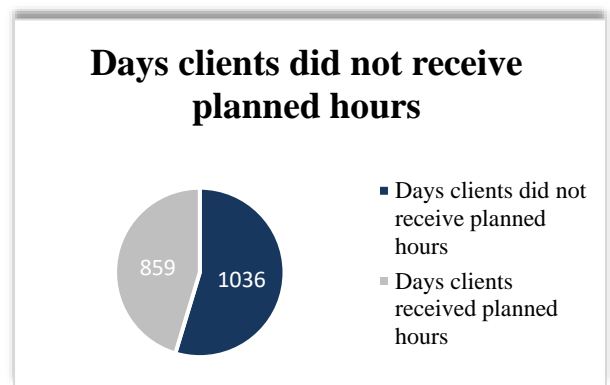
We are questioning:

- \$52,809 for the one provider who did not submit a cost report to the Department. The federal share of these questioned costs is \$26,405.
- \$2,062,850 that was paid to the 20 providers whose detailed payroll records did not support the hours reported on their cost reports. The federal share of these questioned costs is \$1,031,425.
- \$3,623,450 for the 38 providers who were paid for more direct service hours than they reported on their cost reports. The federal share of these questioned costs is \$1,811,725. These amounts include the Department's exception for overtime consideration.

We are also questioning:

#### *Employee timesheets*

When reconciling household schedules to employee timesheets, we identified 1,036 of a total of 1,895 days when clients did not receive the number of hours that providers reported to the Department they planned to provide to clients. We also identified 177 days of a total of 1,895 days when employee timesheets did not show that households that were assessed to receive 24 hours of support were provided 24 hours of support.



We are questioning \$134,941 when we could not determine clients received their planned hours of support. The federal share of these questioned costs is \$67,471.

#### *Duplicate payments*

We are questioning \$369 for a duplicate payment made to a supported living provider and identified during the audit. The federal share of these questioned costs is \$185.

### **January 1 to June 30, 2019**

Without establishing an adequate payment review process, the Department had no assurance that program funds were used only for allowable purposes and payments were adequately supported.

Because of the lack of supporting documentation to show payments made to supported living providers for direct client services were only spent on ISS, we are questioning all



\$222,997,501 that was paid to supported living providers from January 1 to June 30, 2019. The federal share of these payments is \$111,498,751.

### Summary of questioned costs

The table below summarizes, by audit area, the known questioned costs and likely improper payments:

Audit area	Known questioned costs (state and federal)	Known questioned costs – federal portion only	Likely improper payments (state and federal)	Likely improper payments – federal portion only
Cost reports	\$5,739,110	\$2,869,555	\$10,352,989	\$5,176,495
Timesheets (7/1/18 – 12/31/18)	\$134,941	\$67,470	\$54,012,991	\$27,006,496
Tiered rates (1/1/19 – 6/30/19)	\$222,997,501	\$111,498,750	\$222,997,501	\$111,498,751
Duplicate payments	\$369	\$185	\$369	\$185
<b>Totals</b>	<b>\$228,871,921</b>	<b>\$114,435,961</b>	<b>\$287,363,850</b>	<b>\$143,681,926</b>

*Note: Numbers in columns may not add up to totals due to rounding.*

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

### Recommendations

We recommend the Department:

- Implement an adequate payment review process that occurs more frequently than once a year to ensure federal funds paid to providers are used only for allowable purposes and are adequately supported
- Verify supported living providers comply with cost report preparation instructions
- Consult with its grantor about whether the questioned costs identified in the audit should be repaid

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

*The Department does not concur with the finding.*

### ***Tiered Rate Methodology (January 1, 2019 to June 30, 2019)***

*The Department strongly disagrees with the SAO's methodology and the corresponding findings made in relation to the second half of the fiscal year, January 1 to June 30, 2019. The Department disagrees with the disallowance of all tiered rate reimbursements. The methodology upon which it is based, appears to be arbitrary and capricious since it does not consider the Department's internal controls. These controls include the rate assessment process, the budget process, and the review of the cost reports that takes place at the end of the each calendar year.*

*The Centers for Medicare and Medicaid Services (CMS) requires a periodic review of rate methodology. Since the Department's hours-based methodology was established over 10 years ago, the Department reviewed various rate methodologies suggested by CMS, including tiered rates. The Department's goals were to improve efficiency without losing oversight or monitoring of costs. The tiered rate methodology:*

- Provides increased flexibility for providers to deliver services;*
- Gives the providers the ability to increase their focus on positive client outcomes;*
- Improves the cost reporting process; and*
- Reduces unnecessary administrative burdens*

*The Department met with CMS several times and shared the proposed tiered rate methodology. Additionally, the Department amended the federal waiver describing the tiered rates, and the reimbursement methodology including the cost reporting and payment review process. The Department met CMS requirements for federal financial participation. The tiered rates and amended federal waiver were approved by CMS prior to the January 1, 2019 implementation.*

*The Department will use the information from the new tiered rate 2019 cost reports to:*

- Provide accountability and transparency for the use of public funds;*
- Determine settlements with supported living providers;*
- Provide program cost data to regional managers and residential providers; and*
- Provide information to the Legislature and the Department for budget development and policy decisions.*

*Because the Department will continue to process cost reports submitted by each provider, Policy 6.04 (Billing, Payment and Cost Reporting) was amended to reflect the tiered rate methodology.*

*When SAO conducts their audit, it is based on the fiscal year, thus requiring the review of two different calendar years:*

- Fiscal Year 2019 audit – July 2018 through June 2019*
- Cost Report for Calendar Year 2018 – January through December*
  - July through December 2018 is tested by the auditors*
  - Cost reports for 2018 are reviewed by the auditors*

- *Cost Report for Calendar Year 2019 – January through December*
  - *January through June 2019 is tested by the auditors*
  - *Cost reports for 2019 have not been submitted and therefore they cannot be tested by the auditors*

*Cost reports for calendar year 2019 are not due to the Department until March 31, 2020. At that time the Department will:*

- *Review cost reports for accountability and accuracy.*
- *Determine if settlements are needed. Settlements will occur in cases where the provider underspent the Instruction and Support Services (ISS) portion of the daily rate. Because of the change to tiered rate, settlements will no longer be calculated in terms of hours (formerly known as Settlement A). If settlements are assessed, they will be forwarded to the Department's Office of Financial Recovery (OFR) for collection.*

*The cost report and settlement process serves as a check on payments in relation to services that were provided. The Department's cost report and settlement process is described in the federal waiver, and has been approved by CMS as a method for determining costs. Settlements are a national standard used in most all cost reporting processes.*

*The Department does not believe SAO factored our fiscal process into their review of the first six months of calendar year 2019. The Legislature approved the calendar year cost report process and has established strict fiscal requirements to ensure payments are made accurately. This involves routine review of expenditures by budget, rates, resource administrators and DDA Central Office teams. The Department performed extensive testing prior to the tiered rate process being put in place in January 2019, and continues to perform fiscal testing. These fiscal reviews are the Department's internal controls that we believe SAO did not consider.*

*Of the \$114,435,961 in questioned costs identified in this audit, \$111,498,751 is based upon services from January through June 2019. Because the cost reports are based off a calendar year, and the review process does not start until after December 2019, this portion of the questioned costs was based off an incomplete fiscal review process. The Department's cost report timelines were shared with CMS as part of the tiered rate methodology, which they approved.*

*Additionally, the Department provided evidence showing:*

- *Client service plans had been reviewed and approved by Department staff and clients or their legal representative*
- *Individual per diem rates met the Department's approval process*
- *Clients' Individual Instruction and Support Plans (ISSPs), progress notes, goals and objectives were developed and implemented by the provider.*
- *Support services were provided to clients per their assessed needs.*

*The Department would like to note that the type of documentary evidence provided to the SAO (as above) was deemed sufficient in the most recently completed Payment Error Rate Measurement (PERM) audit. In 2018 CMS conducted the PERM audit for services provided in 2016 and 2017. This audit measures the accuracy of program payments and included the claims paid to supported living providers. CMS sent letters to supported living providers asking them to provide*

*documentary evidence to prove that claimed services were in fact provided. Acceptable documentary evidence included:*

- *Daily progress notes*
- *Attendance logs*
- *Worksheets*
- *Service treatment plans and goals*
- *Individual Service Plans*

*Department providers who provided documentary evidence timely did not have any findings in this 2018 audit.*

*The Department's oversight takes a holistic approach with various teams working together to ensure the clients receive the services and supports they need. Residential Care Services (RCS) and Developmental Disability staff monitor client services for safety and quality. Evidence of services not being provided does not go unrecognized and is investigated. In addition, the Management Services Division and the Developmental Disability Central Office review rates through the Residential Rates for Developmental Disabilities database (RRDD).*

*In regards to the material weakness of our internal controls, it would be appreciated if SAO could provide guidance as to what they feel is needed when an audit takes place six months prior to the Department's approved internal control procedures.*

#### ***Hours Based Methodology (July 1, 2018 to December 31, 2018)***

*The Department partially concurs with the findings for this part of the audit.*

*Calendar year 2018 cost reports were due March 31, 2019. The Department completed an internal audit of the cost reports comparing them to payroll records for calendar year 2018. SAO stated they did not evaluate this activity because it was completed outside the audit period. These internal audits of the calendar year 2018 cost reports, including the ISS payroll sample, were completed by June 30, 2019.*

*There were thirty-eight instances in which providers were paid for more direct service hours than they reported on their cost reports. The Department has the authority to reimburse the service provider for services delivered. The Department can grant an exception to the payment rate per DDA policy 6.04 that states:*

*“When submitting a cost report that includes a settlement, a service provider that has had extraordinary ISS costs during the year may request to apply those extraordinary costs toward the settlement. The service provider making the request may submit narrative justification and a breakdown of associated costs to enable DDA to analyze the request.”*

*The reference to “extraordinary cost” includes overtime costs. The hours purchased at the higher benchmark may be adjusted for the total hours purchased. Overtime costs are necessary to adequately support clients to meet their health and safety needs.*

*The Department will continue to use its authority to consider provider circumstances, such as overtime, and grant exceptions as necessary when calculating the settlement.*

*If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.*

### ***Auditor's Remarks***

#### **Tiered Rate Methodology (January 1, 2019 to June 30, 2019)**

The methodology used during the audit was not arbitrary or capricious. It was based upon the Department's compliance with federal requirements over Activities Allowed/Unallowed and Allowable Costs/Cost Principles. We considered the Department's asserted internal controls during the audit and found them to be inadequate to meet federal requirements.

At the beginning of the audit, we requested the Department provide in writing, the key internal controls it has in place to ensure compliance with federal requirements. The Department asserts it performed extensive testing prior to the tiered rate process being put in place in January 2019, and continues to perform fiscal testing. During the audit, we were not provided any information about what these fiscal reviews entailed. Additionally, such reviews are not described in the Department's approved waiver with CMS, state law or Department policy.

As stated in the Condition section of the finding, we requested documentation from the Department to show evidence that the funds paid for direct client services were spent only on direct client services by the supported living providers. The Department provided evidence showing client service plans and rates had been reviewed and approved by Department staff. The Department also provided client progress notes, goals and objectives and other corresponding data to support services provided to clients. However, it provided no evidence to support the funds paid to supported living providers for direct client services were used only to provide instruction and support services. This is the basis for the costs being questioned.

At the beginning of the audit, we requested the Department provide any external audits or reviews of the Supported Living program. No audits or reviews were provided.

Internal control is a perpetual process, effected by those charged with governance, management, and other employees, designed to provide reasonable assurance regarding the achievement of the entity's objectives relating to operations, reporting, and compliance. In our judgment, a review of an annual cost report does not provide the Department with reasonable assurance that federal Medicaid funds paid for ISS services were only spent for ISS services.

The Department said it implemented a new verification process in calendar year 2019. We will follow-up with the Department in the next audit and will assess the effectiveness of this new process.

#### **Hours Based Methodology (July 1, 2018 to December 31, 2018)**

The Department did not conduct an internal audit of the 2018 cost reports. Internal auditing is an independent, objective assurance and consulting activity. The Department asserted rate analysts compared the cost reports to payroll records. The documentation provided by the Department showed this activity was not completed by June 30, 2019.

The Department's cost report uses Settlement B as its method to reconcile the cost of providing client services to the total paid to the agency. Settlement A is used to reconcile the total hours, not the cost. The Department co-mingled hours and cost in Settlement A, which is not defined in its approved CMS waiver or its policies.

In the next audit, the Department will have fully implemented its new tiered rate payment system. We are committed to working with the Department to resolve these matters by making more specific recommendations about how it can improve its system of internal control.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

#### **Section 200.53 Improper Payments states:**

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### **Section 200.403 Factors affecting Allowability of costs.**

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.



- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

#### Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.



- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other

State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance

with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:

- (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
- (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) Effect of partial collection by State. A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) Effect of administrative or judicial appeals. Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

#### General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing

control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Developmental Disabilities Administration Policy 6.02 – Rates, Billing, and Payment for Supported Living, Group Training Homes, and Group Homes, states in part:

DD. Provision of Services

2. The service provider must maintain a system that shows instruction and support service funds have been used to provide instruction and support services. All instruction and support services staff compensation and employer paid taxes and benefits within each calendar year will be reconciled to the contracted rate through the cost reporting system on an annual basis. See DDA Policy 6.04.

Developmental Disabilities Administration Policy 6.04 – Billing, Payment, and Cost Reporting for Supported Living, Group Training Homes, and Group Homes, states in part:

Policy

- A. A service provider must annually submit a cost report, and supporting documentation upon request, to DDA. The DDA Rates Unit must be able to verify the cost of services provided and determine if a settlement is due.

#### Procedures

##### I. Cost Report Submission

- c. Service providers must provide to DSHS upon request job descriptions for employees who are allocated in the cost report working both ISS and non-ISS duties. Payroll costs charged to ISS for cost reporting purposes must be verifiable in the service provider's records. The amount of ISS payroll costs reported for any individual employee or owner of a service provider must not exceed 3,120 ISS staff payroll hours per year.

**2019-055      The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.775 State Medicaid Fraud Control Units  
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  
93.778 Medical Assistance Program (Medicaid; Title XIX)  
**Federal Award Number:** 1905WA5MAP; 1905WA5ADM;  
1905WAIMPL; 1905WAINCT  
**Applicable Compliance Component:** Allowable Costs/Cost Principles  
**Questioned Cost Amount:** \$394,288  
(\$303,408 – Personal care and transportation services)  
(\$ 90,880– Associated costs)

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and State funds during fiscal year 2019.

The Aging and Long-Term Support Administration within the Department of Social and Health Services (Department) offers personal care services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client’s support needs and to calculate the number of personal care hours the client needs to successfully live in the community. Individual providers contract with the Department to provide personal care services to clients.

In fiscal year 2019, the state Medicaid program paid about \$779 million to Aging and Long-Term Support Administration’s contracted Community First Choice individual providers who provided personal care and transportation services.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department’s Individual ProviderOne system to invoice the Department for their hourly service and mileage claims. At times, a Medicaid client may be hospitalized or temporarily admitted to a long-term care facility, which the Health Care Authority (Authority) is responsible to pay for. In those cases, individual providers may not bill for services because Medicaid pays the hospital or care facility for the client’s care while admitted to the facility.

Since fiscal year 2016, we have found the Department made improper Medicaid payments to individual providers when clients were hospitalized or in a long-term care facility. In 2016, we issued finding number 2016-048. In fiscal year 2017, we did not issue a finding because we could not determine whether the duplicate expenditures were individual provider billing errors or hospital or long-term care facility billing errors. In fiscal year 2018, we issued finding number 2018-050.

### *Description of Condition*

We found the Department had established adequate internal controls to ensure it was in material compliance with allowable costs over payments to individual providers.

However, we found the Department made unallowable payments to some individual providers who claimed payment for personal care and transportation services while their client was either hospitalized or admitted to a long-term care facility.

Because the questioned costs identified by the audit exceeded \$25,000, federal regulations require the auditor to issue a finding.

### *Cause of Condition*

The Department did not have a process or a system edit in place to prevent unallowable claims due to the timing of hospital billings, which is often months after individual providers have claimed payment for personal care and transportation services. Thus the Department can only detect these duplicate payments after both payments have been made.

As of March 2019, the Department has implemented a system to detect these payments after potential unallowable claims were made. Since then, claims made the month prior are reviewed and the overpayment process is initiated which includes having the authorization lines adjusted and the overpayment logged for processing when IOne functionality is fully established.

Additionally, during March 2019, the backlog of 2018 payments began to be reviewed and those unallowable claims are expected to be resolved in 2020.

### *Effect of Condition and Questioned Costs*

We are questioning \$303,408, which is the federal portion of the unallowable payments for personal care and transportation services.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll tax and health care, training and retirement fringe benefits on behalf of Community First Choice providers that are considered associated costs.

We are also questioning at least \$90,880, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IOne. During the audit period, the system could not make overpayment adjustments, and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor.



In addition, the system was unable to process State Unemployment Tax Act (SUTA) taxes and they were not paid until after the close of the audit period. .

Description	Total known questioned costs	Known questioned costs – federal portion only
Personal care and transportation claims	\$542,606	\$303,408
Associated costs	\$162,186	\$ 90,880
<b>Total</b>	<b>\$704,792</b>	<b>\$394,288</b>

The statistical sample used for testing in parts of the fiscal year 2019 Medicaid audit was used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed, some of the questioned costs reported here might also be reported in finding numbers 2019-056, 2019-057, 2019-058 and 2019-059.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### **Recommendations**

We recommend the Department:

- Identify all associated costs related to the unallowable payments for personal care services
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

### **Department's Response**

*The Department concurs with this finding.*

*Unfortunately, due to claiming requirements in two payment systems, having an automated process is not possible. Further, hospitals and long-term care (LTC) facilities typically have a delay in submitting claims in ProviderOne, sometimes several months after services were delivered. Individual Providers generally submit claims in IPOne shortly after services were provided, making it impossible to have an automated system to prevent personal care providers from claiming unallowable costs. Thus, the Department can only detect duplicate payments after both payments have been made. Effective March 4, 2019, the process to detect payments after the unallowable claims was implemented.*

*Effective January 29, 2020, functionality was implemented in IPOne to allow the Department to process overpayments.*

*In an effort to prevent future unallowable payments, the Department will be sending a notice to all Individual Providers in March 2020 reminding them that they are prohibited from claiming in-home personal care hours while a client is either hospitalized or admitted into a LTC facility.*

*The Department will return the questioned costs to the Department of Health and Human Services for the unallowable claims.*

### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

#### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

## Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

## Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

## Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.

- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
  - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2019, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

#### General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

**2019-056      The Department of Social and Health Services, Developmental Disabilities Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)
	Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Allowable Costs/Cost Principles
<b>Questioned Cost Amount:</b>	\$37,127
	(\$29,228 – Personal care and transportation services)
	(\$ 7,899 – Associated costs)

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Developmental Disabilities Administration within the Department of Social and Health Services (Department) offers personal care services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client needs to successfully live in the community. Individual providers contract with the Department to provide personal care services to clients.

In fiscal year 2019, the state Medicaid program paid about \$349 million to Developmental Disabilities Administration's contracted Community First Choice individual providers who provided personal care and transportation services.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department's Individual ProviderOne (IPOne) system to invoice the Department for their hourly service and mileage claims. At times, a Medicaid client may be hospitalized or temporarily admitted to a long-term care facility. Individual providers may not bill for services provided to the client during the period of their admission because Medicaid funding is used by the Health Care Authority (Authority) to pay the hospital or care facility for the client's care during this period.



In the fiscal year 2018 audit, we reported the Department made improper Medicaid payments to individual providers who claimed payment for personal care and transportation services when a Medicaid client was either hospitalized or admitted to a long-term care facility. The prior audit finding number was 2018-051.

### *Description of Condition*

We found the Department established adequate internal controls to ensure payments to individual providers were materially allowable.

However, we found the Department's Developmental Disabilities Administration made unallowable payments to some individual providers who claimed payment for personal care and transportation services when a Medicaid client was either hospitalized or admitted to a long-term care facility.

Because the questioned costs identified by the audit exceeded \$25,000, federal regulations require the auditor to issue a finding.

### *Cause of Condition*

While the Department did not have a system edit in place to prevent unallowable claims, the Department did have a process in place to detect the payments after the unallowable claims were made.

A Regional Payment Specialist routinely reviews an Overlapping Authorized services report to detect the unallowable claims. However, due to the timing of hospital billings, which is often months after individual providers have claimed payment for personal care and transportation services, the Department can only detect these duplicate payments after both payments have been made.

### *Effect of Condition and Questioned Costs*

We are questioning at least \$29,228, which is the federal portion of the unallowable payments for personal care and transportation services.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll tax and health care, training and retirement fringe benefits on behalf of Community First Choice providers that are considered associated costs.

We are also questioning at least \$7,899, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IPOne. During the audit period, the system could not make overpayment adjustments, and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor. In addition, the system was unable to process State Unemployment Tax Act (SUTA) taxes and they were not paid until after the close of the audit period.



Description	Total known questioned costs	Known questioned costs – federal portion only
Personal care and transportation claims	\$52,262	\$29,228
Associated costs	\$14,105	\$7,899
<b>Totals</b>	<b>\$66,367</b>	<b>\$37,127</b>

The statistical sample used for testing in parts of the fiscal year 2019 Medicaid audit was used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed, some of the questioned costs reported here might also be reported in finding numbers 2019-055, 2019-057, 2019-058 and 2019-059.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Identify all associated costs related to the unallowable payments for personal care services
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit and associated costs should be repaid

### ***Agency's Response***

*The Department concurs with the finding.*

*Unfortunately, due to claiming requirements in two payment systems, having an automated process is not possible. Further, hospitals and long-term care (LTC) facilities typically have a delay in submitting claims in ProviderOne, sometimes several months after services were delivered. Individual Providers generally submit claims in IPOne shortly after services were provided, making it impossible to have an automated system to prevent personal care providers from claiming unallowable costs. Thus, the Department can only detect duplicate payments after both payments have been made.*

*To address the unallowable payments the Department will enhance training and monitoring procedures for identifying unallowable payments.*

*The Department will return the questioned costs to the Department of Health and Human Services for the unallowable claims.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the

Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers states in part:

Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.

- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -
- (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
- (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on

- the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
    - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
    - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
  - (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
  - (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

#### General Audit Approach for Medicaid Payments

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State's documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

**2019-057      The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed / Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$2,191,213 (\$1,952,564 - personal care services) (\$ 238,649 - associated costs)

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Aging and Long-Term Support Administration in the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. Clients who choose to receive services in their own home have two options for the delivery of their personal care services. One option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency. The other option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider.

The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client is eligible to receive. During the assessment process, a person-centered service plan is developed and is required by federal regulation. Among other requirements, the service plan must:

- Reflect the individual's strengths and preferences
- Reflect clinical and support needs
- Include identified goals and desired outcomes
- Reflect the services and supports that will help the individual to achieve identified goals
- Reflect risk factors and measures in place to minimize them
- Be distributed to the client and other people involved in the plan



For Community First Choice services to be allowable, the federal regulation also requires the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

During the program's development at the federal level, stakeholders said it could be logistically complicated for all providers to sign the plan and asked if signatures for plan agreement could be obtained through formats other than the service plan.

Federal regulators said they expect that any provider responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, because this would be necessary to not only understand the level of Community First Choice services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

The state plan says the person-centered service plan will be agreed to in writing by the participant and those responsible for implementing the plan. State rules require the client (or a legal representative) to give consent for services and approve their plan of care, and allow the Department to terminate services if the plan is not signed and the service summary returned to the Department within 60 days of the client's assessment completion date. In fiscal year 2019, the state Medicaid program paid over \$1.2 billion to providers on behalf of Community First Choice clients.

In the prior two audits, we reported the Department's Aging and Long-Term Support Administration did not have adequate internal controls in place to ensure client service plans were properly approved. The prior finding numbers were 2018-059 and 2017-045.

### *Description of Condition*

The Department's Aging and Long-Term Support Administration did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.

Department management did not establish adequate monitoring procedures to ensure client service plans were properly signed by Department staff and clients within 60 days of service authorization. The Department did not design its business practice to obtain provider signatures on client service plans. The Department updated its policy regarding signatures at the end of June 2019 to require provider signatures and incorporated the requirement into its policy manual in October 2019.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

Until the end of June 2019, Department managers said they did not require provider signatures on the service plans. For clients who received their services from individual providers, the Department asserted that when the provider signed their contract, they were agreeing to carry out their responsibilities related to the client's service plan and believed this process satisfied the federal



requirement related to plan signatures. The Department said it sent copies of the plan to individual providers, but they were not required to acknowledge they received or reviewed the plan.

### *Effect of Condition and Questioned Costs*

We used a statistical sampling method to randomly select 86 Community First Choice clients from a total population of 49,028 who received services from an individual provider or home care agency during the audit period. We expanded our audit scope from the previous audit to include all assessments completed by the Department. We examined the client files for evidence that the service plans had been finalized and agreed to in writing as required by federal and state regulation. For most clients, there were multiple assessments during the audit period that had to be signed.

We found:

#### *Department signatures – 87 signature issues involving 41 clients*

- The Department did not sign 78 of the plans
- The Department signed nine plans after 60 days

#### *Client signatures – 100 signature issues involving 46 clients*

- The Department did not obtain client signatures on 83 of the plans
- The Department obtained signatures on 17 plans after 60 days

#### *Provider signatures – 217 signature issues involving 72 clients*

- The Department did not obtain provider signatures on 212 plans
- The Department obtained signatures on five plans after 60 days

We also performed follow-up testing on our 2018 audit finding that identified 59 instances when the Department either did not monitor to ensure the plans were received within 60 days or that plans had valid Department, client and/or provider signatures. For 58 of the previously reported instances, client service plans were still not complete for part or all of the current audit period.

Because some plans were not properly approved or the Department could not locate some plans with signatures, we determined the Department made \$3,445,590 in unallowable payments to providers. We are questioning \$1,952,564, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. For clients who receive their services from individual providers, the Department pays payroll-related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

We identified at least \$422,154 in associated costs that we also consider to be unallowable. We are questioning at least \$238,649, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages the individual provider payroll system, called IPOne. During the audit period, the system was unable to make overpayment

adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund to the grantor. In addition, the system was unable to process State Unemployment Tax Act (SUTA) taxes and they were not paid until after the close of the audit period.

Including associated costs, the total amount we are questioning is \$3,867,744. The federal share is \$2,191,213.

### *Estimated improper payments*

Because a statistical sampling method was used to select the payments we examined, we estimate the total improper payments to be \$679,781,571. The federal share of this estimate is \$390,026,415.

For the \$679,781,571 in likely improper payments, we estimate the amount of likely associated improper payments to be \$109,175,315. The federal share of this estimate is \$62,708,718.

Description	Total known questioned costs	Known questioned costs – federal portion	Total likely improper payments	Likely improper payments – federal portion
Direct Costs	\$3,445,590	\$1,952,564	\$679,781,571	\$390,026,415
Associated Costs	\$ 422,154	\$ 238,649	\$109,175,315	\$ 62,708,718
Total Costs	\$3,867,744	\$2,191,213	\$788,956,886	\$452,735,133

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2019-055, 2019-056, 2019-058, and 2019-059.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

### ***Recommendations***

We recommend the Department’s Aging and Long-Term Support Administration:

- Obtain provider signatures on person-centered service plans

- Provide additional training to staff on the federal regulation and the state plan that requires client service plans to be agreed to in writing
- Continue monitoring activities to ensure staff follow federal and state requirements
- Identify all associated costs related to the unallowable payments for personal care services provided by individual providers
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

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

*The Department partially concurs with the finding.*

*The Department agrees person-centered service plans should be signed by the Department, client, and provider responsible for its implementation. However, the Department disagrees that a lack of required signatures should result in questioned costs as the client remains eligible for the services and the provider remains qualified to deliver services. The Centers for Medicare & Medicaid Services (CMS) has also informed the state that services should not be terminated if required signatures cannot be obtained.*

*The Department does not concur with SAO's assertion that the seventeen service plans signed by a client, the nine signed by the Department, and the five signed by a provider after 60 days should result in exceptions. There is no timeline or deadline in state or federal rules that require signatures to be obtained within 60 days. The 60-day timeline in WAC 388-106-0047 outlines an administrative option that could be utilized by the Department to terminate services when deemed necessary. The administrative option of termination is not backed by any state or federal law, and should not result in exceptions, or infringe on the Department's ability to operate and manage the Community First Choice (CFC) program.*

*The Department also notes that the SAO significantly broadened the scope of the FY19 audit by including Interim assessments; in the FY18 audit, Interim assessments were excluded from the SAO's review. In FY19, exceptions for missing signatures on Interim assessments accounted for 27% of exceptions assigned in the audit and 22% of the exceptions in the follow-up testing on the FY18 audit findings. This means that almost a quarter of all exceptions, and approximately \$547,803 in questioned costs, are included in the FY19 audit scope that were not included in FY18.*

*Following the FY18 audit, the Department met with the SAO to discuss its plan to remediate exceptions found in the audit. During the meeting, the Department informed SAO it planned to remediate exceptions identified in the FY18 audit by obtaining required signatures on a client's current person-centered service plan. The Department noted it would likely cause confusion, and possibly interfere with the delivery of services to vulnerable clients, should the Department attempt to obtain required signatures on outdated service plans.*

*SAO acknowledged this strategy made sense and informed the Department it would not be able to remediate exceptions from the FY18 audit, as the SAO would consider any signatures obtained after 60 days to be permanently out of compliance with federal rules. SAO never indicated that they would assign exceptions and questioned costs to every assessment that occurred between the FY18 audit and the current assessment that did not have required service plan signatures. The Department does not agree that follow-up testing on the FY18 audit findings is valid since testing of these plans already occurred in the FY18 audit. The Department made a good faith effort in*

*attempting to remediate exceptions from FY18, but the SAO's approach essentially recreates the FY18 audit on outdated service plans with no ability for the Department to demonstrate compliance.*

### ***Auditor's Remarks***

We agree the Federal regulation does not set a timeframe by which the Department must obtain signatures. However, without establishing a reasonable timeframe to obtain signatures from those responsible for implementing services or supports authorized in the plan, the Department is unable to ensure that those individuals not only understand the level of CFC services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of services and supports.

Obtaining signatures well-past the development of the client's person-centered service plan, or not at all, does not allow those responsible for implementing the plan to meet an individual's needs identified through the assessment process. In our judgment, the 60-day period, previously established by the Department, is a reasonable amount of time for the Department to obtain the required signatures so the plans are adequately implemented.

During the prior audit, the Department said interim assessments should not be included in the testing population because they were only created if the client reported a change in available informal supports, to correct coding, or as a result of a Quality Assurance or Supervisory review. However, during the current audit, we learned that an interim assessment could be created to add a provider. In those instances, new providers should receive and confirm receipt of the plan. This is why we included interim assessments in the testing population for the fiscal year 2019 audit.

The Department shared its plan to remediate the exceptions from the prior audit. In the finding, we did not include a recommendation for the Department to remediate those exceptions. We agree that obtaining signatures on plans well-past the assessment year is not effective and believe signatures should be obtained within a reasonable amount of time following an individual's person-centered service planning process.

Federal regulations state that improper payments occur when insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper. Our audit methodology was to select payments the Department made during the audit period and request supporting documentation in effect on the date of service. All exceptions identified during the audit were related to payments made during fiscal year 2019, even though the date of service for some of the payments reached as far back as 2015. We would expect to obtain supporting documentation from the Department for the payments it made during the audit period, regardless of the date of service.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

## *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

### Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

### Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of - -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or



- (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
  - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment

amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.

- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42, Code of Federal Regulations, Section 441 Services: Requirements and Limits Applicable to Specific Services, states in part:

Section 441.540 Person-centered service plan.

- (b) The person-centered service plan. The person-centered service plan must reflect the services and supports that are important for the individual to meet

the needs identified through an assessment of functional need, as well as what is important to the individual with regard to preferences for the delivery of such services and supports. Commensurate with the level of need of the individual, and the scope of services and supports available under Community First Choice, the plan must:

- (9) Be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- (c) Reviewing the person-centered service plan. The person-centered service plan must be reviewed, and revised upon reassessment of functional need, at least every 12 months, when the individual's circumstances or needs change significantly, and at the request of the individual.

Section 441.720 Independent assessment, states in part:

- (a) Requirements. For each individual determined to be eligible for the State plan HCBS benefit, the State must provide for an independent assessment of needs, which may include the results of a standardized functional needs assessment, in order to establish a service plan. In applying the requirements of section 1915(i)(1)(F) of the Act, the State must:
  - (1) Perform a face-to-face assessment of the individual by an agent who is independent and qualified as defined in § 441.730, and with a person-centered process that meets the requirements of § 441.725(a) and is guided by best practice and research on effective strategies that result in improved health and quality of life outcomes.
    - (i) For the purposes of this section, a face-to-face assessment may include assessments performed by telemedicine, or other information technology medium, if the following conditions are met:
      - (C) The individual provides informed consent for this type of assessment.
  - (3) Examine the individual's relevant history including the findings from the independent evaluation of eligibility, medical records, an objective evaluation of functional ability, and any other records or information needed to develop the person-centered service plan as required in § 441.725.
- (b) Reassessments. The independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Medicaid Program; Community First Choice Option, 77 Fed. Reg. 88 (May 7, 2012). *Federal Register: The Daily Journal of the United States*, Web. 7 May 2012

Comment: Another commenter indicated that the requirement for all individuals and providers to sign the plan may be onerous and logistically complicated as consumers can change providers frequently for a variety of reasons, and consumers should be able to obtain agreement from providers through formats other than the service plan.

Response: After consideration of these comments we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation...we expect that any provider that is responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, as this would be necessary to not only understand the level of CFC services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

Washington Administrative Code WAC 388-106-0045 (effective July 1, 2018 through December 1, 2018) When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

- (1) Are assessed using CARE;
- (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
- (3) Have given written consent for services and approved your plan of care;

Washington Administrative Code WAC 388-106-0045 (effective December 2, 2018) When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

- (1) Are assessed using CARE;
- (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
- (3) Have given consent for services and approved your plan of care;

Washington Administrative Code WAC 388-106-0047 (effective July 1, 2018 through December 1, 2018) When can the department terminate or deny long-term care services to me? states in part:

- (3) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington Administrative Code WAC 388-106-0047 (effective December 2, 2018) When can the department terminate or deny long-term care services to me? states in part:

- (3) The department may terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington State Medicaid State Plan-Community First choice State Plan Option, states in part:

X. Person-Centered Service Plan Development Process

- a. Indicate how the service plan development process ensures that the person-centered service plan addresses the individual's goals, needs (including health care needs), and preferences, by offering choices regarding the services and supports they receive and from whom.

The person-centered service plan will be developed and implemented in accordance with 42 CFR 441.550 (b).

The person-centered service plan will be understandable to the participant, will indicate the individual and/or entity responsible for monitoring the plan, and will be agreed to in writing by the participant and those responsible for implementing the plan.

**2019-058      The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$2,169,725 (\$1,802,173 - personal care services) (\$367,552 - associated costs)

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Developmental Disabilities Administration in the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. Clients who choose to receive services in their own home have two options for the delivery of their personal care services. One option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency. The other option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider.

The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client is eligible to receive. During the assessment process, a person-centered service plan is developed and is required by federal regulation. Among others, the service plan must:

- Reflect the individual's strengths and preferences
- Reflect clinical and support needs
- Include identified goals and desired outcomes
- Reflect the services and supports that will help the individual to achieve identified goals
- Reflect risk factors and measures in place to minimize them
- Be distributed to the client and other people involved in the plan

For Community First Choice services to be allowable, the federal regulation also requires the plan to be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.

During the program's development at the federal level, stakeholders said it could be logistically complicated for all providers to sign the plan and asked if signatures for plan agreement could be obtained through formats other than the service plan.

Federal regulators said they expect that any provider responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan. This is because doing so would be necessary to not only understand the level of Community First Choice services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

The state plan says the person-centered service plan will be agreed to in writing by the participant and those responsible for implementing the plan. State rules require the client (or a legal representative) to give consent for services and approve their plan of care, and allow the Department to terminate services if the plan is not signed and the service summary returned to the Department within 60 days of the client's assessment completion date. The Department changed its rule that stated it "will" terminate services to "may" terminate services in December 2018. In fiscal year 2019, the state Medicaid program paid about \$1.2 billion to providers on behalf of Community First Choice clients.

In the prior two audits, we reported the Department's Developmental Disabilities Administration did not have adequate internal controls in place to ensure client service plans were properly approved. The prior finding numbers were 2018-060 and 2017-046.

### *Description of Condition*

The Department's Developmental Disabilities Administration did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.

Department management did not establish adequate monitoring procedures to ensure client service plans were properly signed by Department staff and clients within 60 days of service authorization. The Department's business practice was not designed to obtain provider signatures on client service plans. The Department updated its policy regarding signatures during July 2019 to require provider signatures and incorporated the requirement into its policy manual in October 2019.

We consider these internal control deficiencies to be a material weakness.

### *Cause of Condition*

Department managers said they did not require provider signatures on the service plans. For clients who received their services from individual providers, the Department asserted that when the individual provider signed their contract, they were agreeing to carry out their responsibilities related to the client's service plan and believed this process satisfied the federal requirement related



to plan signatures. The Department said it sent copies of the plan to individual providers, but they were not required to acknowledge they received or reviewed the plan.

For clients who receive their services from home care agencies, the Department asserts that by contract, home care agencies are required to get worker signatures and it has delegated the monitoring of the contracts to Area Agencies on Aging.

### *Effect of Condition and Questioned Costs*

We used a statistical sampling method to randomly select 86 Community First Choice clients, from a total population of 14,806 that received services from an individual provider or home care agency during the audit period. We examined the client files for evidence that the service plans had been finalized and agreed to in writing as required by federal and state regulation. For most clients, there were multiple assessments during the audit period that had to be signed.

Specifically, we found:

#### *Department signatures – 12 signature issues involving 6 clients*

- The Department did not sign seven of the plans
- The Department signed five plans after 60 days

#### *Client signatures – 32 signature issues involving 14 clients*

- The Department did not obtain client signatures on 14 of the plans
- The Department obtained signatures after 60 days on 18 plans

#### *Provider signatures – 192 signature issues involving 62 clients*

- The Department did not obtain provider signatures on 184 of the plans
- The Department obtained signatures after 60 days on eight plans

We also performed follow-up testing on our 2018 audit finding that identified 66 instances when the Department either did not monitor to ensure the plans were received within 60 days or that plans had valid Department, client and/or provider signatures. For 60 of the previously reported instances, client service plans still were not complete for part or all of the current audit period.

Because some plans were not properly approved or the Department could not locate some plans with signatures, we determined the Department made \$3,215,813 in unallowable payments to providers. We are questioning \$1,802,173, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. For clients who receive their services from individual providers, the Department pays payroll-related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

We identified at least \$654,814 in associated costs that we also consider to be unallowable. We are questioning at least \$367,552, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages the individual provider payroll system, called IPOne. During the audit period, the system could not make overpayment adjustments. Until the issue is resolved, the Department will not know the exact amount of associated costs to refund to the grantor. In addition, the system could not process State Unemployment Tax Act (SUTA) taxes, and the Department did not pay them until after the close of the audit.

Including associated costs, the total amount we are questioning is \$3,870,628. The federal share is \$2,169,725.

### *Estimated improper payments*

Because a statistical sampling method was used to select the payments we examined, we estimate the total improper payments to be \$189,874,071. The federal share of this estimate is \$106,238,410.

For the \$189,974,071 in likely improper payments, we estimate the amount of likely associated improper payments to be \$32,969,973. The federal share of this estimate is \$18,464,041.

Description	Total known questioned costs	Known questioned costs – federal portion	Total likely improper payments	Likely improper payments – federal portion
Direct Costs	\$3,215,813	\$1,802,173	\$156,904,098	\$ 87,774,369
Associated Costs	\$ 654,814	\$ 367,552	\$ 32,969,973	\$ 18,464,041
Total Costs	\$3,870,627	\$2,169,725	\$189,874,071	\$106,238,410

The statistical sample used for testing was also used to test compliance with other activities allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed some of the questioned costs reported here might also be reported in finding numbers 2019-055, 2019-056, 2019-057, and 2019-059.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 95 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount.

### ***Recommendations***

We recommend the Department’s Developmental Disabilities Administration:

- Require provider signatures on person-centered service plans
- Provide additional training to staff on the federal regulation and state plan that requires client service plans to be agreed to in writing
- Continue monitoring activities to ensure staff follow federal and state requirements
- Identify all associated costs related to the unallowable payments for personal care services provided by individual providers
- Consult with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid

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

*The Department partially concurs with the finding.*

*The Department agrees it must comply with federal regulations regarding obtaining signatures on clients' person-centered service plans. The Department does not agree improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation. Centers for Medicare and Medicaid Services (CMS) has provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the State Auditor's Office (SAO), the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not make a client ineligible for services or a provider unqualified to provide services and therefore should not result in an improper payment.*

*The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. Federal Register, Vol 77, No 88, Monday, May 7 2012, page 26865 "While we do not specify the timeframe by which States must obtain the signature of the providers responsible for implementation of the plan, we expect that any provider that is responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan,..." Additionally, CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures. Based on this guidance, effective 12/1/18, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of their assessment.*

*The Department does not agree that follow-up testing on the 2018 audit finding is valid since testing of these plans already occurred in the 2018 audit. Plans from FY 2018 are no longer current and the Department does not agree that once the plan period has ended it should expend its resources obtaining signatures.*

*The Department has quality assurance processes in place to monitor for compliance in obtaining required signatures on person-centered service plans. The DDA Quality Compliance Coordination team reviews all required signatures from a statewide sample. The review looks for signatures and documented attempts to obtain signatures. The review occurs in an established cycle and looks for statewide proficiency in obtaining required signatures. If the annual review*

*finds that the proficiency has fallen below 86%, a quality improvement plan is implemented to improve statewide performance. In addition to monitoring by the Quality Compliance Coordination team, Case Manager Supervisors monitor compliance of all case managers. The Department has undertaken significant steps to improve options for compliance for individuals whose signatures are required, including electronic options.*

### ***Auditor's Remarks***

We agree the Federal regulation cited by the Department in its response does not set a timeframe by which the Department must obtain signatures. However, without establishing a reasonable timeframe to obtain signatures from those responsible for implementing services or supports authorized in the plan, the Department is unable to ensure that those individuals not only understand the level of CFC services and supports needed by an individual, but also the individual's strengths, preferences, goals and desired outcomes related to the provision of services and supports.

Obtaining signatures well-past the development of the client's person-centered service plan, or not at all, does not allow those responsible for implementing the plan to meet an individual's needs identified through the assessment process. In our judgment, the 60-day period previously established by the Department is a reasonable amount of time for the Department to obtain the required signatures so the plans are adequately implemented.

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We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

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Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

#### Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

#### Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

## Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

## Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
- (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

## Section 433.300 Basis.



This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.
- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on



account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.

- (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies the State in writing of the overpayment and specifies a dollar amount subject to recovery.
- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
  - (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of discovery.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42, Code of Federal Regulations, Section 441 Services: Requirements and Limits Applicable to Specific Services, states in part:

Section 441.540 Person-centered service plan.

- (b) The person-centered service plan. The person-centered service plan must reflect the services and supports that are important for the individual to meet the needs identified through an assessment of functional need, as well as what is important to the individual with regard to preferences for the delivery of such services and supports. Commensurate with the level of need of the individual, and the scope of services and supports available under Community First Choice, the plan must:
  - (9) Be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation.
- (c) Reviewing the person-centered service plan. The person-centered service plan must be reviewed, and revised upon reassessment of functional need,

at least every 12 months, when the individual's circumstances or needs change significantly, and at the request of the individual.

Section 441.720 Independent assessment, states in part:

- (a) Requirements. For each individual determined to be eligible for the State plan HCBS benefit, the State must provide for an independent assessment of needs, which may include the results of a standardized functional needs assessment, in order to establish a service plan. In applying the requirements of section 1915(i)(1)(F) of the Act, the State must:
  - (1) Perform a face-to-face assessment of the individual by an agent who is independent and qualified as defined in § 441.730, and with a person-centered process that meets the requirements of § 441.725(a) and is guided by best practice and research on effective strategies that result in improved health and quality of life outcomes.
    - (i) For the purposes of this section, a face-to-face assessment may include assessments performed by telemedicine, or other information technology medium, if the following conditions are met:
      - (C) The individual provides informed consent for this type of assessment.
  - (3) Examine the individual's relevant history including the findings from the independent evaluation of eligibility, medical records, an objective evaluation of functional ability, and any other records or information needed to develop the person-centered service plan as required in § 441.725.
- (b) Reassessments. The independent assessment of need must be conducted at least every 12 months and as needed when the individual's support needs or circumstances change significantly, in order to revise the service plan.

Medicaid Program; Community First Choice Option, 77 Fed. Reg. 88 (May 7, 2012). *Federal Register: The Daily Journal of the United States*, Web. 7 May 2012

Comment: Another commenter indicated that the requirement for all individuals and providers to sign the plan may be onerous and logistically complicated as consumers can change providers frequently for a variety of reasons, and consumers should be able to obtain agreement from providers through formats other than the service plan.

Response: After consideration of these comments we have revised the final regulation to indicate that the plan be finalized and agreed to in writing by the individual and signed by all individuals and providers responsible for its implementation...we expect that any provider that is responsible for implementing services or supports authorized in the service plan should receive and sign the individual's service plan, as this would be necessary to not only understand the level of CFC services and supports needed by an individual, but also the

individual's strengths, preferences, goals and desired outcomes related to the provision of the services and supports.

Washington Administrative Code WAC 388-106-0045 (effective July 1, 2018 through December 1, 2018) When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

- (1) Are assessed using CARE;
- (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
- (3) Have given written consent for services and approved your plan of care;

Washington Administrative Code WAC 388-106-0045 (effective December 2, 2018) When will the department authorize my long-term care services? states in part:

The department will authorize long-term care services when you:

- (1) Are assessed using CARE;
- (2) Are found financially and functionally eligible for services including, if applicable, the determination of the amount of participation toward the cost of your care and/or the amount of room and board that you must pay;
- (3) Have given consent for services and approved your plan of care;

Washington Administrative Code WAC 388-106-0047 (effective July 1, 2018 through December 1, 2018) When can the department terminate or deny long-term care services to me? states in part:

- (4) The department will terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington Administrative Code WAC 388-106-0047 (effective December 2, 2018) When can the department terminate or deny long-term care services to me? states in part:

- (4) The department may terminate long-term care services if you do not sign and return your service summary document within sixty days of your assessment completion date.

Washington State Medicaid State Plan-Community First choice State Plan Option, states in part:

X. Person-Centered Service Plan Development Process

- a. Indicate how the service plan development process ensures that the person-centered service plan addresses the individual's goals, needs (including health care needs), and preferences, by offering choices regarding the services and supports they receive and from whom.

The person-centered service plan will be developed and implemented in accordance with 42 CFR 441.550 (b).

The person-centered service plan will be understandable to the participant, will indicate the individual and/or entity responsible for monitoring the plan, and will be agreed to in writing by the participant and those responsible for implementing the plan.

**2019-059      The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community First Choice individual providers had proper background checks.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units 93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$42,603 (\$32,616 - Personal care and transportation services) (\$9,987 - Associated costs)

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

The Aging and Long-Term Care Administration at the Department of Social and Health Services (Department) offers personal care and other services to support Medicaid clients in community settings through the Community First Choice program. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client is eligible to receive in the community. Individual providers contract with the Department to provide personal care services to clients through one of the 13 Area Agency on Aging (AAA) offices across the state. AAA offices work with providers and clients in their area to ensure providers are meeting eligibility requirements and clients are having their needs met.

In fiscal year 2019, the state Medicaid program paid about \$1.3 billion on Community First Choice personal care services.

Medicaid is the primary funding source for long-term care providers. The Medicaid Home and Community Based Services program permits states to furnish long-term care services to Medicaid clients in home and community settings. These services are provided to clients in their home by individuals or agencies chosen by the Medicaid client or the client's legal representative. Payments to individual providers contracted with the Aging and Long-Term Support Administration accounted for more than 9 percent of all Medicaid payments made in fiscal year 2019.

Individual providers are paid an hourly rate for providing personal care and a mileage rate for providing transportation services to their clients. Individual providers use the Department's Individual ProviderOne (IPOne) system to invoice the Department for their hourly services and mileage claims.

State law (RCW 43.43.837) requires that all individual providers must meet the basic qualifications to provide services to Medicaid clients, which include being at least 18 years old, passing background checks, and receiving required certifications and training. Individual providers must complete a Washington background check every two years and, effective January 8, 2012, all new contracted providers or applicants who have not lived in Washington for three consecutive years must complete a national fingerprint-based background check. Some clients choose to receive care from their parent or legal guardian. If the parent or legal guardian had a contract in place before January 7, 2012, a fingerprint background check is not required.

The Department's Secretary establishes a list of crimes that automatically disqualify people from having unsupervised access to vulnerable clients. This list was previously referred to as "the Secretary's List," but has been incorporated into regulation (Washington Administrative Code 388-113). People who commit a crime listed in State rule are automatically prohibited from "licensing, contracting, certification, or from having unsupervised access to children, vulnerable adults or to individuals with a developmental disability."

If a person is found to have committed a crime not listed in State rule, they are not automatically disqualified from having unsupervised access to vulnerable clients. The provider must receive a Character, Competence and Suitability review to assess and determine if the provider may have unsupervised access to clients.

The Department performs an annual quality review of AAA offices, which includes reviewing provider files to ensure they comply with provider eligibility requirements. A proficiency rate is issued for each of the questions that is answered as part of the review. Proficiency rates that fall below 86 percent require the AAA to submit a proficiency improvement plan (PIP) to respond to the deficiencies that were identified and how it plans to correct them. The Department reviews the plan to ensure it will correct the deficiencies before approving the plan.

In prior audits, we reported the Department made payments on behalf of individual providers without valid background checks. The prior finding numbers were 2018-056, 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41 and 11-34.

### *Description of Condition*

The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community First Choice individual providers had proper background checks.

We examined the PIPs for eight of the AAA offices that had a proficiency rate below 86 percent. For one (12.5 percent) of the eight PIPs, we noted the AAA did not address how it would correct the background check deficiency.



We consider this internal control deficiency to be a material weakness.

### *Cause of Condition*

The Department felt that in-person training and instruction to the noncompliant AAA office would be more effective in resolving the issues noted during the quality review than requiring the office to document a PIP. Most of the issues identified during the Department's quality review were related to contractual requirements in addition to background check procedures.

As a result, documentation noting how the AAA would correct the background check deficiency was not completed in accordance with Department policies.

### *Effect of Condition and Questioned Costs*

Providers who do not meet the background check requirements are not eligible to provide services to Medicaid clients. Any payments made by the Department to ineligible providers are unallowable.

We used a statistical sampling method to randomly select and examine 132 out of 36,151 Community First Choice individual providers who provided in-home care services to in-home clients during fiscal year 2019 to ensure:

- A background check had been completed within the past two years
- No individuals with disqualifying crimes listed in State rule provided care to vulnerable adult clients at the time of the audit or during the month(s) when the Department paid them
- Providers who had committed crimes that were not listed as disqualifying in State rule passed a Character, Competence and Suitability review permitting them to work unsupervised with vulnerable adults
- The entire period when the provider had access to Medicaid clients was covered by a Washington background check and, if required, a national fingerprint background check

We found:

- Three instances when the Department did not perform a fingerprint background check of a provider. Although a Washington background check was conducted on these providers, State law required a fingerprint check also be completed
- Three instances when the Department did not promptly perform a Washington background check at the time of renewal of the provider's contract

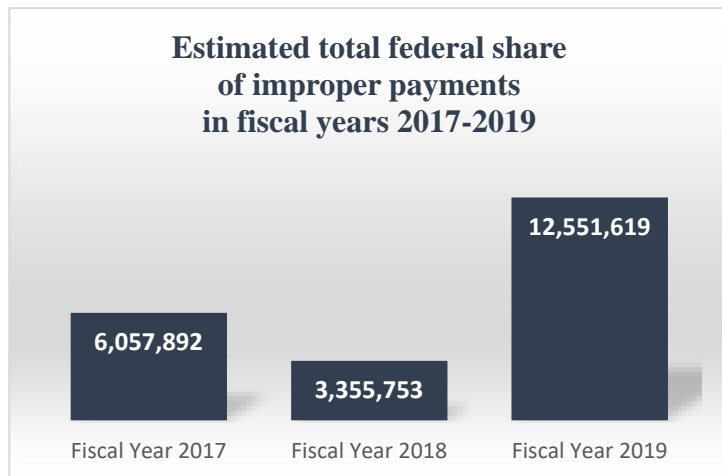
		Direct service cost for 2019		Associated cost for 2019	
Description	Number of exceptions	Total paid	Federal share	Total paid	Federal share
Did not perform a fingerprint background check	3	\$58,403	\$32,616	\$17,834	\$9,987
Did not promptly perform a Washington background check at the time of renewal	3	\$0	\$0	\$0	\$0
<b>Totals</b>	<b>6</b>	<b>\$58,403</b>	<b>\$32,616</b>	<b>\$17,834</b>	<b>\$9,987</b>

We determined the Department made \$58,403 in unallowable payments to providers for direct services to clients. We are questioning \$32,616, which is the federal portion of the unallowable payments.

When unallowable payments are identified, federal regulations suggest auditors consider if associated costs, such as benefits, were also paid. The Department pays payroll-related benefits, which are considered associated costs, on behalf of Community First Choice providers. Examples of these costs include health insurance, retirement, payroll taxes and training.

For the \$58,403 in payments determined unallowable, we identified \$17,834 in associated costs that we also consider to be unallowable. We are questioning \$9,987, which is the federal portion of the unallowable payments related to associated costs. The Department contracts with a vendor that manages IPOne. The system currently cannot make overpayment adjustments and until the issue is resolved, the Department will not know the exact amount of associated costs to refund the grantor. In addition, the system was unable to process State Unemployment Tax Act (SUTA) taxes and they were not paid until after the close of the audit period.

Because a statistical sampling method was used to select the Community First Choice individual providers that we examined, we estimate the amount of likely improper payments to be \$22,456,363. The federal share of this estimate is \$12,551,619.



The statistical sample used for testing was also used to test compliance with other activities-allowed requirements. Because some unallowable payments we examined violated multiple areas of activities allowed, some of the questioned costs reported here might also be reported in finding numbers 2019-055, 2019-056, 2019-057, and 2019-058.

Projection to population	Known questioned costs	Likely improper payments
Federal expenditures	\$42,603	\$12,551,619
State expenditures	\$33,634	\$9,904,744
<b>Total expenditures</b>	<b>\$76,237</b>	<b>\$22,456,363</b>

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

Our sampling methodology meets statistical sampling criteria under generally accepted auditing standards in AU-C 530.05. It is important to note that the sampling technique we used is intended to support our audit conclusions by determining if expenditures complied with program requirements in all material respects. Accordingly, we used an acceptance sampling formula designed to provide a very high level of assurance, with a 99 percent confidence of whether exceptions exceeded our materiality threshold. Our audit report and finding reflects this conclusion. However, the likely improper payment projections are a point estimate and only represent our “best estimate of total questioned costs” as required by 2 CFR 200.516(3). To ensure a representative sample, we stratified the population by dollar amount (if applicable).

Because this finding reports non-compliance with State law, the Office of Financial Management is required by RCW 43.09.312 (1) to submit the agency’s response and plan for remediation to the Governor, the Joint Legislative Audit and Review Committee, and the relevant fiscal and policy committees of the Senate and House of Representatives.

### ***Recommendations***

We recommend the Department:

- Follow policies and procedures to ensure proficiency improvement plans are properly completed and approved
- Review internal controls and Department policies to ensure background check compliance for appropriateness
- Ensure that all provider background checks are completed, as required under State law and Department policy
- Confirm all associated costs related to the unallowable payments for personal care services identified during this audit
- Consult with the U.S. Department of Health and Human Services to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department partially concurs with this finding.*

*The Department concurs there were three instances when a fingerprint background check was not performed within the required timeframe. In all cases, fingerprint background checks were completed and no disqualifying crimes were found. Additionally, as SAO found a 98% compliance rate, the Department feels current policy assurances have been demonstrated to be effective.*

*The Department also concurs that there were three instances where a background check was not renewed after two years. The Department would like to note the Medicaid State Plan for Community First Choice (CFC) does not require Individual Providers to complete background checks every two years to remain qualified. Further, there is no Revised Code of Washington (RCW) or Washington Administrative Code (WAC) that states an individual provider becomes unqualified if a background check is not rerun within two years. In addition, the three individual providers did not have a disqualifying crime at any point during the audit period.*

*The Department does not concur with the SAO's conclusion that the one instance, where formal Proficiency Improvement Plan (PIP) documentation was missing, is a material weakness. In this instance, the Department held an in person consultation instead of the standard PIP process due to contractual compliance issues and significant staff turnover at this specific AAA.*

*The Department will identify associated costs related to unallowable payments for personal care services. The Department will then work with the U.S. Department of Health and Human Services to return questioned costs.*

### ***Auditor's Remarks***

We determined a material weakness exists because the Department's key internal control was not materially effective. We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
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- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

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Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
  - (4) Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a Federal program; therefor, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of

questioned costs for a Federal program that is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than \$25,000, then the auditor must report this as an audit finding.

- (5) The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported audit findings in the schedule of findings and questioned costs for Federal awards.
- (6) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.
- (7) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with §200.511. Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit findings.

#### Title 42 U.S. Code of Federal Regulations Part 433, State Fiscal Administration, Subpart F – Refunding of Federal Share of Medicaid Overpayments to Providers

##### Section 433.300 Basis.

This subpart implements -

- (a) Section 1903(d)(2)(A) of the Act, which directs that quarterly Federal payments to the States under title XIX (Medicaid) of the Act are to be reduced or increased to make adjustment for prior overpayments or underpayments that the Secretary determines have been made.
- (b) Section 1903(d)(2)(C) and (D) of the Act, which provides that a State has 1 year from discovery of an overpayment for Medicaid services to recover or attempt to recover the overpayment from the provider before adjustment in the Federal Medicaid payment to the State is made; and that adjustment will be made at the end of the 1-year period, whether or not recovery is made, unless the State is unable to recover from a provider because the overpayment is a debt that has been discharged in bankruptcy or is otherwise uncollectable.

##### Section 433.316 When discovery of overpayment occurs and its significance.

- (a) *General rule.* The date on which an overpayment is discovered is the beginning date of the 1-year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS.
- (b) *Requirements for notification.* Unless a State official or fiscal agent of the State chooses to initiate a formal recoupment action against a provider without first giving written notification of its intent, a State Medicaid



agency official or other State official must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures and must take reasonable actions to attempt to recover the overpayment in accordance with State law and procedures.

- (c) *Overpayments resulting from situations other than fraud.* An overpayment resulting from a situation other than fraud is discovered on the earliest of -
  - (1) The date on which any Medicaid agency official or other State official first notifies a provider in writing of an overpayment and specifies a dollar amount that is subject to recovery;
  - (2) The date on which a provider initially acknowledges a specific overpaid amount in writing to the Medicaid agency; or
  - (3) The date on which any State official or fiscal agent of the State initiates a formal action to recoup a specific overpaid amount from a provider without having first notified the provider in writing.
- (d) *Overpayments resulting from fraud.*
  - (1) An overpayment that results from fraud is discovered on the date of the final written notice (as defined in § 433.304 of this subchapter) of the State's overpayment determination.
  - (2) When the State is unable to recover a debt which represents an overpayment (or any portion thereof) resulting from fraud within 1 year of discovery because no final determination of the amount of the overpayment has been made under an administrative or judicial process (as applicable), including as a result of a judgment being under appeal, no adjustment shall be made in the Federal payment to such State on account of such overpayment (or any portion thereof) until 30 days after the date on which a final judgment (including, if applicable, a final determination on an appeal) is made.
  - (3) The Medicaid agency may treat an overpayment made to a Medicaid provider as resulting from fraud under subsection (d) of this section only if it has referred a provider's case to the Medicaid fraud control unit, or appropriate law enforcement agency in States with no certified Medicaid fraud control unit, as required by § 455.15, § 455.21, or § 455.23 of this chapter, and the Medicaid fraud control unit or appropriate law enforcement agency has provided the Medicaid agency with written notification of acceptance of the case; or if the Medicaid fraud control unit or appropriate law enforcement agency has filed a civil or criminal action against a provider and has notified the State Medicaid agency.
- (e) *Overpayments identified through Federal reviews.* If a Federal review at any time indicates that a State has failed to identify an overpayment or a State has identified an overpayment but has failed to either send written notice of the overpayment to the provider that specified a dollar amount subject to recovery or initiate a formal recoupment from the provider without having first notified the provider in writing, CMS will consider the overpayment as discovered on the date that the Federal official first notifies

the State in writing of the overpayment and specifies a dollar amount subject to recovery.

- (f) *Effect of changes in overpayment amount.* Any adjustment in the amount of an overpayment during the 1-year period following discovery (made in accordance with the approved State plan, Federal law and regulations governing Medicaid, and the appeals resolution process specified in State administrative policies and procedures) has the following effect on the 1-year recovery period:
- (1) A downward adjustment in the amount of an overpayment subject to recovery that occurs after discovery does not change the original 1-year recovery period for the outstanding balance.
  - (2) An upward adjustment in the amount of an overpayment subject to recovery that occurs during the 1-year period following discovery does not change the 1-year recovery period for the original overpayment amount. A new 1-year period begins for the incremental amount only, beginning with the date of the State's written notification to the provider regarding the upward adjustment.
- (g) *Effect of partial collection by State.* A partial collection of an overpayment amount by the State from a provider during the 1-year period following discovery does not change the 1-year recovery period for the balance of the original overpayment amount due to CMS.
- (h) *Effect of administrative or judicial appeals.* Any appeal rights extended to a provider do not extend the date of . . . discovery.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance

requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

Office of Management and Budget OMB Uniform Guidance, Compliance Supplement for 2017, *Part 4 – Agency Program Requirements, 4.93.778 Medicaid Cluster*, states in part:

**General Audit Approach for Medicaid Payments**

To be allowable, Medicaid costs for medical services must be (1) covered by the State plan and waivers; (2) reviewed by the State consistent with the State’s documented procedures and system for determining medical necessity of claims; (3) properly coded; and (4) paid at the rate allowed by the State plan. Additionally, Medicaid costs must be net of beneficiary cost-sharing obligations and applicable credits (e.g., insurance, recoveries from other third parties who are responsible for covering the Medicaid costs, and drug rebates), paid to eligible providers, and only provided on behalf of eligible individuals.

Revised Code of Washington RCW 43.43.837, “Fingerprint-based background checks—Requirements for applicants and service providers—Shared background checks—Fees—Rules to establish financial responsibility,” states in part:

- (1) Except as provided in subsection (2) of this section, in order to determine the character, competence, and suitability of any applicant or service provider to have unsupervised access, the secretary may require a fingerprint-based background check through both the Washington state patrol and the federal bureau of investigation at any time, but shall require a fingerprint-based background check when the applicant or service provider has resided in the state less than three consecutive years before application, and:
  - (a) Is an applicant or service provider providing services to children or people with developmental disabilities under RCW 74.15.030;
  - (b) Is an individual residing in an applicant or service provider's home, facility, entity, agency, or business or who is authorized by the department to provide services to children or people with developmental disabilities under RCW 74.15.030; or
  - (c) Is an applicant or service provider providing in-home services funded by:
    - (i) Medicaid personal care under RCW 74.09.520;
    - (ii) Community options program entry system waiver services under RCW 74.39A.030;

- (iii) Chore services under RCW 74.39A.110; or
  - (iv) Other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department.
- (2) Long-term care workers, as defined in RCW 74.39A.009, who are hired after January 7, 2012, are subject to background checks under RCW 74.39A.056.
- (3) To satisfy the shared background check requirements provided for in RCW 43.215.215 and 43.20A.710, the department of early learning and the department of social and health services shall share federal fingerprint-based background check results as permitted under the law. The purpose of this provision is to allow both departments to fulfill their joint background check responsibility of checking any individual who may have unsupervised access to vulnerable adults, children, or juveniles. Neither department may share the federal background check results with any other state agency or person.
- (4) The secretary shall require a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation when the department seeks to approve an applicant or service provider for a foster or adoptive placement of children in accordance with federal and state law.
- (5) Any secure facility operated by the department under chapter 71.09 RCW shall require applicants and service providers to undergo a fingerprint-based background check through the Washington state patrol identification and criminal history section and the federal bureau of investigation.
- (6) Service providers and service provider applicants who are required to complete a fingerprint-based background check may be hired for a one hundred twenty-day provisional period as allowed under law or program rules when:
  - (a) A fingerprint-based background check is pending; and
  - (b) The applicant or service provider is not disqualified based on the immediate result of the background check.
- (7) Fees charged by the Washington state patrol and the federal bureau of investigation for fingerprint-based background checks shall be paid by the department for applicants or service providers providing:
  - (a) Services to people with a developmental disability under RCW 74.15.030;
  - (b) In-home services funded by Medicaid personal care under RCW 74.09.520;
  - (c) Community options program entry system waiver services under RCW 74.39A.030;
  - (d) Chore services under RCW 74.39A.110;
  - (e) Services under other home and community long-term care programs, established pursuant to chapters 74.39 and 74.39A RCW, administered by the department;
  - (f) Services in, or to residents of, a secure facility under RCW 71.09.115; and
  - (g) Foster care as required under RCW 74.15.030.
- (8) Service providers licensed under RCW 74.15.030 must pay fees charged by the Washington state patrol and the federal bureau of investigation for conducting fingerprint-based background checks.

- (9) Children's administration service providers licensed under RCW 74.15.030 may not pass on the cost of the background check fees to their applicants unless the individual is determined to be disqualified due to the background information.
- (10) The department shall develop rules identifying the financial responsibility of service providers, applicants, and the department for paying the fees charged by law enforcement to roll, print, or scan fingerprints-based for the purpose of a Washington state patrol or federal bureau of investigation fingerprint-based background check.
- (11) For purposes of this section, unless the context plainly indicates otherwise:
- (a) "Applicant" means a current or prospective department or service provider employee, volunteer, student, intern, researcher, contractor, or any other individual who will or may have unsupervised access because of the nature of the work or services he or she provides. "Applicant" includes but is not limited to any individual who will or may have unsupervised access and is:
    - (i) Applying for a license or certification from the department;
    - (ii) Seeking a contract with the department or a service provider;
    - (iii) Applying for employment, promotion, reallocation, or transfer;
    - (iv) An individual that a department client or guardian of a department client chooses to hire or engage to provide services to himself or herself or another vulnerable adult, juvenile, or child and who might be eligible to receive payment from the department for services rendered; or
    - (v) A department applicant who will or may work in a department-covered position.
  - (b) "Authorized" means the department grants an applicant, home, or facility permission to:
    - (i) Conduct licensing, certification, or contracting activities;
    - (ii) Have unsupervised access to vulnerable adults, juveniles, and children;
    - (iii) Receive payments from a department program; or
    - (iv) Work or serve in a department-covered position.
  - (c) "Department" means the department of social and health services.
  - (d) "Secretary" means the secretary of the department of social and health services.
  - (e) "Secure facility" has the meaning provided in RCW 71.09.020.
  - (f) "Service provider" means entities, facilities, agencies, businesses, or individuals who are licensed, certified, authorized, or regulated by, receive payment from, or have contracts or agreements with the department to provide services to vulnerable adults, juveniles, or children. "Service provider" includes individuals whom a department client or guardian of a department client may choose to hire or engage to provide services to himself or herself or another vulnerable adult, juvenile, or child and who might be eligible to receive payment from the department for services

rendered. "Service provider" does not include those certified under  
\*chapter 70.96A RCW.

Washington Administrative Code 388-71-0510 – “How does a person become an individual provider?” states:

In order to become an individual provider, a person must:

- (1) Be eighteen years of age or older;
- (2) Provide the social worker/case manager/designee with:
  - (a) A valid Washington state driver's license or other valid picture identification; and either
  - (b) A Social Security card; or
  - (c) Proof of authorization to work in the United States.
- (3) Complete the required DSHS form authorizing a background check;
- (4) Disclose any criminal convictions and pending charges, and also disclose civil adjudication proceedings and negative actions as those terms are defined in WAC 388-71-0512;
- (5) Effective January 8, 2012, be screened through Washington state's name and date of birth background check. Preliminary results may require a thumb print for identification purposes.
- (6) Effective January 8, 2012, be screened through the Washington state and national fingerprint-based background check, as required by RCW 74.39A.056.
- (7) Results of background checks are provided to the department and the employer or potential employer unless otherwise prohibited by law or regulation for the purpose of determining whether the person:
  - (a) Is disqualified based on a disqualifying criminal conviction or a pending charge for a disqualifying crime as listed in WAC 388-113-0020, civil adjudication proceeding, or negative action as defined in WAC 388-71-0512 and 388-71-0540; or
  - (b) Should or should not be employed as an individual provider based on his or her character, competence, and/or suitability.
- (8) For those providers listed in RCW 43.43.837(1), a second Washington state and national fingerprint-based background check is required if they have lived out of the state of Washington since the first national fingerprint-based background check was completed.
- (9) The department may require an individual provider to have a Washington state name and date of birth background check or a Washington state and national fingerprint-based background check, or both, at any time.
- (10) Sign a home and community-based service provider contract/agreement to provide personal care services to a person under a Medicaid state plan or federal waiver such as COPES or other waiver programs.

The Aging and Long-Term Support Administration *Long Term Care Manual Chapter 11: Individual Providers*, states in part:

## 2.4 WHAT TO DO WITH THE BACKGROUND CHECK RESULTS

(g) Additional Information Needed

3. For the name and date of birth re-check, allow the IP 30-days from the date on the letter to obtain a non-disqualifying result letter from BCCU. Terminate payment if not received within 30-days. Note: the recheck result must not exceed the 2-year timeframe from the date on the last background check result.



**2019-060      The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid payments to home care agencies were allowable.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Activities Allowed / Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	None

### ***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and State funds during fiscal year 2019.

The Department of Social and Health Services (Department) offers personal care, respite and other services to support Medicaid clients in community settings. The Department uses an assessment to evaluate a client's support needs and to calculate the number of personal care hours the client needs to successfully live in the community.

Clients have two options to choose from for the delivery of their personal care services. One option is for the client to recruit, hire and supervise their own provider. This type of employee is referred to as an individual provider. The other option is to have the services provided by a home care aide who is recruited, trained, employed and supervised by a home care agency.

Home care agencies are contracted with the Department through the state's 13 Area Agencies on Aging (AAA). The Department pays AAAs to monitor the home care agencies for contractual compliance in many areas, including home care agency payment verification. The Department performs monitoring of AAAs once every three years to ensure they comply with their contract terms. The Department conducts annual quality assurance and improvement reviews with the AAAs to confirm payment authorizations and rates were correct.

The Department pays home care agencies directly for client services and reports those payments on the state's Statement of Expenditures of Federal Awards (SEFA). The Department paid about

\$387 million to home care agencies for personal care services provided to clients in fiscal year 2019.

In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable. The prior finding number was 2018-054.

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

The Department's Aging and Long-Term Support Administration (Administration) did not have adequate internal controls to ensure Medicaid payments to home care agencies were allowable.

The Administration has not implemented payment review procedures to gain reasonable assurance that payments to home care agency providers comply with the requirements of Activities Allowed/Unallowed and Allowable Costs/Cost Principles.

We consider this internal control deficiency to be a material weakness.

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

The Department did not perform its own independent review of payments to home care agency providers. Additionally, the Department's three-year monitoring of the AAAs or annual quality assurance and improvement reviews did not evaluate the extent of the supporting documentation that the AAAs reviewed.

### ***Effect of Condition***

By not establishing adequate monitoring procedures, the Department increases the risk that it will make improper payments to providers that it does not prevent or detect in a timely manner.

### ***Recommendations***

We recommend the Department implement monitoring procedures to ensure payments to home care agencies are adequately documented and supported.

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

*The Department does not concur with this finding.*

*Area Agencies on Aging (AAA) monitor home care agencies for compliance with Electronic Time Keeping (ETK) requirements. The ALTSA State Unit on Aging (SUA) reviews a random sample of home care agencies (HCA) that the AAA monitors to ensure they reviewed compliance with the ETK requirements in the HCA Monitoring Tool.*

*We believe the monitoring by the AAA and SUA is adequate.*

*The FY2019 audit did not result in exceptions or a finding related to ETK compliance, which is further evidence that the internal controls implemented by the Department are adequate.*

### ***Auditor's Concluding Remarks***

We acknowledge the Department monitors the AAAs. However, the Department makes payment directly to home care agencies and has not implemented a process to independently review those payments. We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

Section 200.303 Internal controls.

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 200.516 Audit reporting, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**2019-061      The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with survey requirements for Medicaid intermediate care facilities.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Special Tests and Provisions – Provider Health and Safety Standards
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

Residential Care Services, under the Department of Social and Health Services, Aging and Long-Term Support Administration, is the State's Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) survey agency. An ICF/IID is an institution with the primary purpose of providing health or rehabilitation services to people with intellectual disabilities or related conditions who receive care and services under Medicaid.

The Department must perform a federal certification survey of each ICF/IID. The certification survey is a resident-centered inspection that gathers information about the quality of service provided in a facility to determine compliance with the participation requirements. The survey focuses on the facility's administration and patient services, as well as the outcome of the facility's implementation of ICF/IID active treatment services. The survey also assesses compliance with federal health, safety and quality standards designed to ensure patients receive safe and quality care services.

The State must complete a standard survey for each ICF/IID facility within 15.9 months after the previous survey, and the statewide average for all ICF/IID facilities must not exceed 12.9 months for all ICF/IID facilities, as required by Centers for Medicare and Medicaid Services (CMS). If a survey uncovers deficiencies, the Department must mail a Statement of Deficiency to the facility within 10 working days of the survey date. The facility must submit a Plan of Correction that the Department determines is acceptable within 60 calendar days of receipt or risk forfeiting its Medicaid certification. In addition to federal requirements, the Department has established its own

policies and procedures requiring that it review a submitted Plan of Correction within five working days after receiving it. The Department initially created these policies and procedures for nursing home surveys. However, the Department extends the application of these policies and procedures to ICF/IID facilities.

In fiscal year 2019, the state Medicaid program spent about \$17.7 million to survey and certify health care providers. The Department spent about \$8.6 million certifying ICF/IID facilities during fiscal year 2019. The State had six ICF/IID facilities that were Medicare and/or Medicaid certified.

In prior audits, we reported the Department did not have adequate internal controls to ensure it conducted timely surveys and followed up on deficiencies. The prior finding numbers were 2018-052, 2017-042, 2016-037, 2015-045, and 2014-046.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with federal requirements for completing recertification surveys of ICF/IID facilities. In addition, the Department did not comply with federal and state requirements for completing recertification surveys timely.

The Department uses a tracking spreadsheet as an internal control to monitor and track the survey frequencies as well as the statewide average frequency to ensure it meets the mandated 15.9 month survey frequency, and the statewide average of 12.9 months between surveys for each facility.

We found the Department did not adequately monitor ICF/IID facilities to ensure that all recertification surveys were completed promptly. The Department did not monitor the tracking sheet and did not complete one survey within the required 15.9 months.

We consider this internal control deficiency to be a material weakness.

### *Cause of Condition*

The Department did not complete one survey within the required 15.9 months because the facility received a Denial of Payments for New Admissions, effective for 11 months. The 15-month survey due date fell within this 11-month time frame. The Department was waiting for the facility to submit a letter of credible allegation indicating they had corrected the deficiencies that originally resulted in denial of payment.

Despite the outstanding deficiencies, management did not monitor its survey schedules to ensure compliance in meeting the survey timeline for both federal and state requirement.

### *Effect of Condition*

We examined all six certification surveys completed during the audit period and found one instance (16.7 percent) when the Department failed to complete the certification survey within 15.9 months of the previous certification survey.

Without conducting recertification surveys, the State is at risk of paying facilities for services provided to Medicaid clients without assurance the facilities are complying with federal and state health standards and regulations. Clients residing in facilities that do not meet federal health and safety requirements for participating in the Medicaid program could be at increased risk of abuse, mistreatment, neglect or substandard care.

### ***Recommendations***

We recommend the Department:

- Establish adequate internal controls to ensure compliance with facility survey timeliness requirements
- Ensure it completes recertification surveys within 15.9 months

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

*The Department does not concur with the finding.*

*The Department has an adequate internal control that is being used to track the frequency of recertification surveys to ensure the federal and state monthly averages are met. The Department adequately uses a tracking spreadsheet to monitor the frequency of intervals of facilities' recertification surveys.*

*The Department did not complete a recertification survey for one facility within the federally required 15.9 month survey intervals as the facility was under an alternate sanction of 11-month Denial of Payments for New Admissions effective on 9/13/2017. The 15.9-month due date for the facility's recertification survey fell within this 11-month time frame. During this 11-month time frame, the Department waited for the facility to submit a credible allegation of compliance indicating they had corrected the deficiencies that resulted to the alternate sanction. After receiving the facility's letter of credible allegation on 8/1/2018, the Department conducted a revisit survey on 8/6/2018, resulting in the facility achieving substantial compliance.*

*Subsequently thereafter, the Department completed the facility's recertification survey beginning on 8/8/2018.*

*This facility voluntarily terminated their participation from the Medicaid program on 1/1/2019.*

### ***Auditor's Remarks***

Title 42 CFR, Section 442.109 and the CMS State Operations Manual (SOM), *Section 2141 – Recertification of ICFs/IID* require that ICF/IID facilities be subject to recertification survey at least every 15 months. Only six ICF/IID facilities were actively certified by the Department during the audit period, therefore the Department was materially noncompliant with federal survey requirements for ICF/IID. We are required to report a material weakness in internal controls when material noncompliance is identified.

In addition, the Department is not prohibited from surveying ICF/IID facilities with Denial of Payment on New Admissions imposed under federal rule, and there are no federal criteria or other



written guidance from CMS superseding the requirement to perform recertification surveys of each ICF/IID at least every 15 months.

We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance

requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations, Part 442, Standards for Payment to Nursing Facilities and Intermediate Care Facilities for Individuals with Intellectual Disabilities, states in part:

Section 442.109 – Certification period for ICF/IIDs: General Provisions

- (a) A survey agency may certify a facility that fully meets applicable requirements. The State Survey Agency must conduct a survey of each ICF/IID not later than 15 months after the last day of the previous survey.

Title 42 U.S. Code of Federal Regulations, Part 488, Survey, Certification, and Enforcement Procedures, states in part:

Section 488.28 – Providers or suppliers, other than Skilled Nursing Facilities (SNFs), Nursing Facilities (NFs), and Home Health Agencies (HHAs) with deficiencies

- (a) If a provider or supplier is found to be deficient in one or more of the standards in the conditions of participation, conditions for coverage, or conditions for certification or requirements, it may participate in, or be covered under, the Medicare program only if the provider or supplier has submitted an acceptable plan of correction for achieving compliance within a reasonable period of time acceptable to CMS. In the case of an immediate jeopardy situation, CMS may require a shorter time period for achieving compliance.
- (b) The existing deficiencies noted either individually or in combination neither jeopardize the health and safety of patients or are of such character as to seriously limit the provider's capacity to render adequate care.
- (c) (1) If it is determined during a survey that a provider or supplier is not in compliance with one or more of the standards, it is granted a reasonable time to achieve compliance.  
(2) The amount of time depends upon the -
  - (i) Nature of the deficiency; and
  - (ii) State survey agency's judgment as to the capabilities of the facility to provide adequate and safe care.
- (d) Ordinarily a provider or supplier is expected to take the steps needed to achieve compliance within 60 days of being notified of the deficiencies but the State survey agency may recommend that additional time be granted by the Secretary in individual situations, if in its judgment, it is not reasonable to expect compliance within 60 days, for example, a facility must obtain the approval of its governing body, or engage in competitive bidding.

The Centers for Medicare and Medicaid Services, State Operations Manual, Chapter 2 – The Certification Process, states in part:

2138G – Schedule for Recertification

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

The SA completes a recertification survey an average of every 12 months and at least once every 15 months (see §2141).

## 2141 – Recertification – ICFs/IID

(Rev. 91, Issued: 09-27-13, Effective: 09-27-13, Implementation: 09-27-13)

- The regulation at §442.15 provides that provider agreements for ICF/IID's would remain in effect as long as the facility remains in compliance with the Conditions of Participation (COP's). Regulations at §442.109 through §442.111.
- Beginning on May 16, 2012, ICF/IID's are no longer subject to time-limited agreements. However, they are to be surveyed for re-certification an average of every 12 months and at least once every 15 months.
- If during a survey the survey agency finds a facility does not meet the standards for participation the facility may remain certified if the survey agency makes two determinations – The facility may maintain its certification if the survey agency finds Immediate Jeopardy doesn't exist, and if the facility provides an acceptable plan of correction.
- An ICF/IID may be decertified under procedures outlined in Section 3012 of the State Operations Manual. More specifically, a facility may be decertified if an immediate jeopardy finding remains unabated after 23 days or if it fails to regain compliance with conditions of participation after 90 days.

ICF/IID's will be subject to survey an average of every 12 months and at least every 15 months, the same period that is applied to Nursing Homes.

The Department of Social and Health Services, Residential Care Services Division *Standard Operating Procedure: Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) – Plan of Correction*, states in part:

The Department will review the POC within five working days of receipt and will verify if the POC is acceptable.

### **Procedure**

B. Off-site POC Review – the ICF program staff will:

1. Review the POC within five working days of receipt and confirm the POC for each deficiency includes:
  - a. How the facility will correct the deficiency as it relates to the resident;
  - b. How the facility will act to protect residents in similar situations;
  - c. Measures the facility will take or the systems it will alter to ensure that the problem does not recur;
  - d. How the facility plans to monitor its performance to make sure that solutions are sustained;
  - e. Dates when the corrective action will be completed (no more than 45 days from the last day of inspection for an ICF/IID that carries an Assisted Living or Nursing Home license and 60 days for a state Residential Habilitation Center (RHC));
  - f. The title of the person or persons responsible to ensure correction for each deficiency

**2019-062    The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775    State Medicaid Fraud Control Units 93.777    State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare 93.778    Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Special Tests and Provisions – Provider Eligibility-Provider Revalidation
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington’s largest public assistance program and accounts for about one-third of the State’s federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

***Provider enrollment***

In March 2011, a new federal regulation required state Medicaid agencies to revalidate the enrollment of all Medicaid providers at least every five years. The Centers for Medicare and Medicaid Services (CMS) notified states through an informational bulletin that the revalidation of all providers enrolled on or before March 25, 2011, must be completed by March 24, 2016.

In January 2016, CMS issued updated guidance to states that extended the deadline for provider revalidation to September 25, 2016. The new deadline applied to all providers enrolled on or before September 25, 2011. After this deadline, all providers must be revalidated every five years from their initial enrollment date. As part of this updated guidance, CMS required states to notify all affected providers of the revalidation requirement by the original March 24, 2016, deadline.

The Department of Social and Health Services (Department) revalidates the enrollment of Medicaid providers through its contracting process. Individual provider contract terms are four years, and contracting requirements are screened by a contract specialist within the Department’s Aging and Long-Term Support (AL TSA) and Developmental Disabilities (DDA) Administrations. Contracts are also screened by Area Agencies on Aging (AAA) regional offices. A valid

Washington state driver's license or other valid picture identification and either a Social Security card or proof of authorization to work in the United States must be checked during revalidation for individual providers. Nursing facility contract expiration dates are open ended, but the contract unit revalidates nursing facility enrollment every five years. Contracting requirements are screened by the Department's contract unit.

Federal law requires the State Medicaid agency to check the following during its revalidation process:

- Social Security Administration's Death Master File (DMF)
- National Plan and Provider Enumeration System (NPPES)
- List of Excluded Individuals/Entities (LEIE)
- Excluded Parties List System (EPLS) (now known as the System for Award Management (SAM))

The Department's contract unit performed daily federal database checks until the Automated Provider Screening Solutions (APS) was implemented in October 2018. The APS performs all necessary data matches for providers participating in the Medicaid program. When a provider's contract is revalidated, a contract file is created in the Agency Contracts Database (ACD). The check results are documented in the "Staff" section of the ACD system. Before signing a contract, a contract specialist checks the ACD system to ensure the federal database checks were performed.

#### *Provider screening risk levels*

The first step in revalidating a provider is to determine the provider's screening risk level. A provider can be designated as one of three risk levels: limited, moderate or high. Each risk level requires progressively greater scrutiny of the provider before it can be revalidated. CMS issued initial guidance on screening levels for specific provider types. For providers enrolled in both Medicare and Medicaid, state Medicaid agencies must assign providers to the same or higher risk category applicable under Medicare. In addition, certain provider behaviors require a provider to be moved to a higher screening risk level.

The following are the required screening procedures for each of the risk levels:

##### Limited risk

- Verify that provider meets applicable federal regulations or state requirements for provider type before making an enrollment determination
- Conduct license verifications, including for licenses in states other than where the provider is enrolling
- Conduct database checks to ensure providers continue to meet the enrollment criteria for their provider type

##### Moderate risk

- Perform the "limited risk" screening requirements
- Conduct onsite visits

### High risk

- Perform the “limited risk” and “moderate risk” screening requirements
- Conduct a fingerprint-based criminal background check

State Medicaid agencies must adjust the categorical risk level of a particular provider from “limited” or “moderate” to “high” when any of the following situations occur:

- A Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse. The provider’s risk remains “high” for 10 years after the date the payment suspension was issued.
- A provider that, upon applying for enrollment or revalidation, is found to have an existing state Medicaid Plan overpayment which is \$1,500 or greater and more than 30 days old.
- The provider has been excluded by the Office of Inspector General or another state’s Medicaid program in the previous 10 years.
- A Medicaid agency or CMS, in the previous six months, lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within six months from the date the moratorium was lifted.

### *Fingerprint-based criminal background check*

In revalidating a provider’s enrollment, the state Medicaid agency must conduct a fingerprint-based criminal background check when the agency has designated a provider as high-risk. Anyone with at least a 5 percent direct or indirect ownership interest in a business that provides Medicaid services is also subject to the fingerprint-check requirement. The deadline to fully-implement a fingerprint-based criminal background check process was June 1, 2016, and the State Medicaid agency was required to ensure it had processes in place to complete the following tasks related to fingerprint-based criminal background checks:

- Notify each provider in the high risk category about the fingerprint-based criminal background check requirement
- Collect and use fingerprints to verify whether the provider or any person with a 5 percent or more or indirect ownership interest in the provider has a criminal history in the state or, if it chooses, at the national level
- Take any necessary termination action based on the criminal history data and updated enrollment records to reflect fingerprint-based criminal background check status
- Indicate in the enrollment record for a provider in the high-risk category whether and when the provider passed, failed, or failed to respond to the requirement for fingerprint-based criminal background checks

On August 1, 2017, CMS extended the deadline to implement a fingerprint-based criminal background check process to July 1, 2018.

The Department paid Medicaid providers about \$3.1 billion for fee-for-service claims in fiscal year 2019. The two highest paid provider types were individual providers and nursing facilities. In fiscal year 2019, the Department paid about \$906 million to more than 54,000 individual providers and about \$697 million to 239 nursing facilities.



In the prior audit, we reported the Department did not have adequate internal controls over and did not comply with requirements to ensure Medicaid social service and nursing facility providers were revalidated every five years and screening requirements were met. The prior finding number was 2018-057.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with requirements to ensure Medicaid social service and nursing facility providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.

#### *Provider enrollment*

We found the Department did not ensure federally required database checks were performed before completing enrollment revalidation of individual providers and nursing facilities.

We also found that the Department did not ensure all nursing facilities were revalidated by the deadline. The Department began revalidating nursing facilities in November 2017.

#### *Provider screening levels*

The Department did not establish a process to adjust provider screening risk levels during the period.

#### *Fingerprint-based criminal background check*

The Department did not implement a fingerprint-based criminal background check process for all providers categorized as high risk.

We consider these internal control deficiencies to be a material weakness.

This condition was reported in the prior audit.

### *Cause of Condition*

DMF checks were not consistently performed until the Department implemented a daily check process in November 2016. The Department was not aware that NPPES checks for nursing facilities should be performed when a nursing facility was revalidated.

The Department did not implement the risk adjustment process and a fingerprint-based criminal background check for high-risk providers during our audit period or revalidation of nursing facilities until November 2017 because it was not aware of the new revalidation rules.

### *Effect of Condition*

Using a statistical sampling method, we randomly selected 65 individual providers that were paid by ALTSA during the audit period from a population of 36,956 providers. We identified 65 contracts of the selected providers.

Additionally, we randomly selected 65 individual providers that were paid by DDA during the audit period from a population of 18,013 providers. We identified 65 active contracts for the selected providers.

We also randomly selected 58 nursing facilities that were paid during the audit period from a population of 239 facilities. We identified 58 active contracts for the selected facilities.

We reviewed the selected contracts to determine if the Department took proper steps when conducting provider revalidations. We found:

- Database checks were not completed for 25 ALTSA individual provider contracts
- Database checks were not completed for 32 DDA individual provider contracts
- Database checks were not completed for 45 nursing facility contracts
- 37 nursing facilities were not revalidated by the deadline

Provider Type	LEIE check not properly completed	EPLS check not properly completed	DMF check not properly completed	NPPES check not properly completed	Contracts signed before federal database checks	Totals
ALTSA providers	1	1	21	N/A <sup>1</sup>	11	25 <sup>2</sup>
DDA providers	0	0	32	N/A <sup>1</sup>	1	32 <sup>2</sup>
Nursing facilities	0	0	10	45	0	45 <sup>2</sup>

1. *NPPES check is not required for individual providers because National Provider Identifier (NPI) is not required for individual providers.*
2. *Some contracts had multiple issues.*

We also reviewed Department records to determine if it obtained proof of authorization to work in the U.S. and a copy of picture identification cards from individual providers before revalidating their contracts.

We found:

- One instance when ALTSA records did not contain evidence showing an individual provider was authorized to work in the U.S.
- Three instances when ALTSA records did not contain evidence showing individual providers had valid picture identification

- One instance when DDA records did not contain evidence showing individual provider had valid picture identification

By not complying with provider revalidation, screening and fingerprint-based criminal background check requirements, the Department faces a higher risk of not detecting when Medicaid providers are ineligible to provide services or be paid with Medicaid funds.

### ***Recommendations***

We recommend the Department:

- Implement adequate internal controls to ensure provider revalidations are properly completed by established deadlines
- Ensure federal database checks are completed at the time of provider revalidation
- Verify and properly document that individual providers are authorized to work in the U.S. and have a valid picture identification card at the time of revalidation
- Implement a process to adjust providers' screening risk levels
- Implement a process to conduct fingerprint-based criminal background checks for high-risk providers

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

*The Department concurs with this finding.*

*In November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurs within the five-year requirement. It was not until September of 2018 that the nursing facility screenings were completed due to delayed response, and the return of required forms, by the nursing facilities. Currently, all nursing facilities have been screened as required.*

*Effective October 8, 2018, the Department implemented the new Automated Provider Screening process in the Agency Contracts Database (ACD). The new process includes an internal control that prevents a new or renewal Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD.*

*No exceptions were identified in the FY2019 audit after the implementation of the Automated Provider Screening in October 2018. Once all of the existing contracts have been renewed, which requires them to be subjected to the Automated Provider Screening process, the Department expects the Finding will be resolved.*

*As stated in the FY2018 Corrective Action Plan, the Provider Risk Level assignment, due to overpayments or a Medicaid fraud referral, was reviewed by the Department for workload impact and costs associated with adding monitoring of risk levels to on-going contracting efforts. The Department will develop a policy related to Provider Risk Level assignment and monitoring.*

### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance

requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

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**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 42 U.S. Code of Federal Regulations section 455 Subpart E – Provider Screening and Enrollment, states in part:

Section 455.414 Revalidation of enrollment

The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.

Section 455.434 Criminal background checks

The State Medicaid agency -

- (a) As a condition of enrollment, must require providers to consent to criminal background checks including fingerprinting when required to do so under State law or by the level of screening based on risk of fraud, waste or abuse as determined for that category of provider.
- (b) Must establish categorical risk levels for providers and provider categories who pose an increased financial risk of fraud, waste or abuse to the Medicaid program.
  - (1) Upon the State Medicaid agency determining that a provider, or a person with a 5 percent or more direct or indirect ownership interest in the provider, meets the State Medicaid agency's criteria hereunder for criminal background checks as a “high” risk to the Medicaid program, the State Medicaid agency will require that each such provider or person submit fingerprints.
  - (2) The State Medicaid agency must require a provider, or any person with a 5 percent or more direct or indirect ownership interest in the provider, to submit a set of fingerprints, in a form and manner to be determined by the State Medicaid agency, within 30 days upon request from CMS or the State Medicaid agency.

Section 455.450 Screening levels for Medicaid providers.

A State Medicaid agency must screen all initial applications, including applications for a new practice location, and any applications received in response to a re-enrollment or revalidation of enrollment request based on a categorical risk level of “limited,” “moderate,” or “high.” If a provider could fit within more than one risk level described in this section, the highest level of screening is applicable.

- (a) Screening for providers designated as limited categorical risk. When the State Medicaid agency designates a provider as a limited categorical risk, the State Medicaid agency must do all of the following:
  - (1) Verify that a provider meets any applicable Federal regulations, or State requirements for the provider type prior to making an enrollment determination.
  - (2) Conduct license verifications, including State licensure verifications in States other than where the provider is enrolling, in accordance with § 455.412.

- (3) Conduct database checks on a pre- and post-enrollment basis to ensure that providers continue to meet the enrollment criteria for their provider type, in accordance with § 455.436.
- (b) Screening for providers designated as moderate categorical risk. When the State Medicaid agency designates a provider as a “moderate” categorical risk, a State Medicaid agency must do both of the following:
  - (1) Perform the “limited” screening requirements described in paragraph (a) of this section.
  - (2) Conduct on-site visits in accordance with § 455.432.
- (c) Screening for providers designated as high categorical risk. When the State Medicaid agency designates a provider as a “high” categorical risk, a State Medicaid agency must do both of the following:
  - (1) Perform the “limited” and “moderate” screening requirements described in paragraphs (a) and (b) of this section.
  - (2) (i) Conduct a criminal background check; and (ii) Require the submission of a set of fingerprints in accordance with § 455.434.
- (d) Denial or termination of enrollment. A provider, or any person with 5 percent or greater direct or indirect ownership in the provider, who is required by the State Medicaid agency or CMS to submit a set of fingerprints and fails to do so may have its -
  - (1) Application denied under § 455.434; or
  - (2) Enrollment terminated under § 455.416.
- (e) Adjustment of risk level. The State agency must adjust the categorical risk level from “limited” or “moderate” to “high” when any of the following occurs:
  - (1) The State Medicaid agency imposes a payment suspension on a provider based on credible allegation of fraud, waste or abuse, the provider has an existing Medicaid overpayment, or the provider has been excluded by the OIG or another State's Medicaid program within the previous 10 years.
  - (2) The State Medicaid agency or CMS in the previous 6 months lifted a temporary moratorium for the particular provider type and a provider that was prevented from enrolling based on the moratorium applies for enrollment as a provider at any time within 6 months from the date the moratorium was lifted.

#### Section 455.436 Federal database checks.

The State Medicaid agency must do all of the following:

- (a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.
- (b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.



Centers for Medicare and Medicaid Services, Center for Medicaid and CHIP Services, CMCS Informational Bulletin, dated December 21, 2011, states in part:

The Federal regulation at 42 CFR 455.414 requires States, beginning March 25, 2011, to complete revalidation of enrollment for all providers, regardless of provider type, at least every five years. Based upon this requirement, States must complete the revalidation process of all provider types by March 24, 2016.

Centers for Medicare and Medicaid Services (CMS) Sub Regulatory Guidance for State Medicaid Agencies (SMA): Revalidation (2016-001) states in part:

The federal regulation at 42 CFR 455.414 requires that state Medicaid agencies revalidate the enrollment of all providers, regardless of provider types, at least every 5 years. The regulation was effective March 25, 2011. Based on this requirement, in a December 23, 2011 CMCS Informational Bulletin, we directed states to complete the revalidation process of all provider types by March 24, 2016.

The purpose of this guidance is to revise previous guidance in order to align Medicare and Medicaid revalidation activities to the greatest extent possible. We are revising that previous guidance to now require a two-step deadline under which states must notify all affected providers of the revalidation requirement by the original March 24, 2016 deadline, and must have completed the revalidation process by a new deadline of September 25, 2016.

Deadline for SMA to revalidate providers enrolled on or before September 25, 2011. The Federal regulation at 42 CFR § 455.414 requires states, beginning March 25, 2011, to revalidate the enrollment of all Medicaid providers, regardless of provider type, at least every five years. Based upon this requirement, by March 24, 2016, states must notify providers that were enrolled on or before March 25, 2011 that they must revalidate their enrollment. On March 25, 2016, states that have notified all providers subject to the revalidation requirement will be considered compliant with the revalidation activities required as of that date.

Washington Administrative Code 388-71-0510

How does a person become an individual provider?

In order to become an individual provider, a person must:

- (1) Be eighteen years of age or older;
- (2) Provide the social worker/case manager/designee with:
  - (a) A valid Washington state driver's license or other valid picture identification; and either
  - (b) A Social Security card; or
  - (c) Proof of authorization to work in the United States.

**2019-063      The Department of Social and Health Services did not report fraud affecting the Medicaid program to the federal grantor.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.775      State Medicaid Fraud Control Units
	93.777      State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
	93.778      Medical Assistance Program (Medicaid; Title XIX)
<b>Federal Award Number:</b>	1905WA5MAP; 1905WA5ADM; 1905WAIMPL; 1905WAINCT
<b>Applicable Compliance Component:</b>	Other- Fraud Reporting
<b>Known Questioned Cost Amount:</b>	None

***Background***

Medicaid is a jointly funded state and federal partnership providing coverage for about 1.8 million eligible low-income Washington residents who otherwise might go without medical care. Medicaid is Washington's largest public assistance program and accounts for about one-third of the State's federal expenditures. The program spent about \$13.6 billion in federal and state funds during fiscal year 2019.

Washington was one of 27 states that chose to voluntarily expand Medicaid in 2014 under the Affordable Care Act (ACA), and the Washington State Health Care Authority assumed management of the Basic Health Program known as Apple Health. Before that conversion, the Department of Social and Health Services (Department) managed the Basic Health program.

The Department's Office of Fraud and Accountability (OFA) investigates public benefit fraud in the state. When the Department managed the Basic Health program before 2014, it investigated instances of Medicaid fraud and if it determined allegations were credible, referred the cases for prosecution.

Federal regulations require states to report in writing to federal grantors when fraud occurred that affected federal awards.

***Description of Condition***

The Department did not report fraud affecting the Medicaid program to its grantor.

During fiscal year 2019, prosecutor offices finalized six cases involving Medicaid fraud that were identified by OFA. These cases were not reported in writing to the U.S. Department of Health and Human Services, as required by federal regulations.

This condition was not reported in the prior audit.

### *Cause of Condition*

OFA was unclear about its requirement to disclose, in writing, instances of fraud affecting federal awards to the Department's federal grantors for funds it expended when it was the state's Medicaid agency prior to 2014.

### *Effect of Condition*

The Department's noncompliance with reporting fraud affecting federal awards diminishes the federal government's ability to monitor grant funds.

If the auditor identifies known or likely fraud affecting a federal award that was not already reported to a grantor by the agency, a federal regulation requires the auditor to report the condition as a finding.

### *Recommendations*

We recommend the Department:

- Establish sufficient procedures to ensure it reports, in writing, instances of fraud affecting grant awards, as required by federal regulations
- Review guidance published by the U.S. Department of Health and Human Services on self-disclosing instances of fraud affecting federal awards<sup>2</sup>

### *Department's Response*

*The Department concurs with the finding.*

*When the Medicaid agency was transferred to the Health Care Authority (HCA), the Department provided Medicaid fraud information to HCA upon request on an annual basis. Recently, the requests have not been received by the Department. This has resulted in no Department Medicaid fraud cases being reported to the federal government.*

*The Department will immediately notify the Office of the Inspector General of the six cases identified in the audit for fiscal year 2019. Going forward, discussions will be initiated with HCA to determine the frequency of reporting and if it should be HCA or the Department who notifies the federal grantor of the confirmed fraud.*

### *Auditor's Remarks*

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

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<sup>2</sup> <https://oig.hhs.gov/compliance/self-disclosure-info/index.asp>

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.113 – Mandatory disclosures, states in part:

The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (6) Known or likely fraud affecting a Federal program award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's report under the direct reporting requirements of GAGAS.

**2019-064      The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Opioid State Targeted Response Grants were allowable and met period of performance requirements.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.788      Opioid State Targeted Response (STR)  
**Federal Award Number:** 6H79TI080249-01M001; 6H79TI026803-02M001;  
6H79TI026803-02M002; 6H79TI080249-02M004;  
1H79TI081705-01; 3H79T0817505-01S1;  
6H79TI081705-01M003  
**Applicable Compliance Component:** Activities Allowed/Unallowed  
Allowable Costs/Cost Principles  
Period of Performance  
**Known Questioned Cost Amount:** None

***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the State Targeted Response to the Opioid Crisis and State Opioid Response Grants. The Authority subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and recovery services. The Authority spent more than \$24.7 million in grant funds during fiscal year 2019.

As of July 1, 2018, the operations management of the DBHR was transferred from the Department of Social and Health Services to the Authority. At that time, the Authority assumed the responsibilities over the State Targeted Response to the Opioid Crisis grant. The State Opioid Response Grants were awarded directly to the Authority by the grantor effective September 29, 2018.

The State Targeted Response to the Opioid Crisis and State Opioid Response Grants are to fund services and practices that have a demonstrated evidence-base, and that are appropriate for the populations of focus. When Authority Program Managers receive reimbursement requests from providers, they verify whether the provider has met the contract terms and conditions, and the requests are for allowable activities.

Once verified, the requests are forwarded to the DBHR Financial Unit for further review and disbursement. The Fiscal Unit Manager or Supervisor reviews each reimbursement request to ensure accounting coding, program approvals and amounts are correct, and that charges are related to the appropriate time period.

***Description of Condition***

The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the State Targeted Response to the Opioid Crisis and State Opioid Response Grants were allowable and period of performance requirements were met.

We used a statistical sampling method and randomly sampled 56 out of 495 provider reimbursements. We examined the supporting documentation for each payment and found four (7 percent) did not have the required fiscal approval.

We consider this internal control weakness to constitute a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

Due to a staff shortage in the DBHR Financial Unit, another fiscal unit at the Authority helped DBHR with payment processing and did not know the proper procedure for documenting approvals. Additionally, the Authority did not monitor provider reimbursements to ensure approvals from fiscal management were documented.

### *Effect of Condition*

By not establishing effective internal controls over provider reimbursements, the Authority is at higher risk of making improper payments for provider services.

### *Recommendations*

We recommend the Authority:

- Strengthen its internal controls to ensure fiscal management approvals are documented in accordance with Authority policies and procedures
- Ensure it obtains all required approvals before authorizing reimbursement to a provider

### *Authority's Response*

*The Health Care Authority, (HCA) concurs with this finding. With the operations and management of the Substance and Abuse Block Grant, (SABG) moving from the Department of Social and Health Services, (DSHS) to HCA in July of 2018, there were some structural and logistical changes necessary to transfer the grant management tasks effectively over to HCA. Some of the challenges in these logistical changes were a lack of FTEs to support the accounts payable functions. HCA, in an attempt to address a growing backlog of payments allocated FTE resources from other accounting units to process payments. During this time some of the procedures established to ensure payments include the proper approvals were missed. HCA has been able to increase the level of FTEs for the Accounts Payable unit from three to six staff.*

### *Auditor's Concluding Remarks*

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:



.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-065      The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required audits.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.788      Opioid State Targeted Response (STR)  
**Federal Award Number:** 6H79TI080249-01M001; 6H79TI026803-02M001;  
6H79TI026803-02M002; 6H79TI080249-02M004;  
1H79TI081705-01; 3H79T0817505-01S1;  
6H79TI081705-01M003  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the State Targeted Response to the Opioid Crisis and State Opioid Response Grants. The Authority subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and recovery services. The Authority spent more than \$24.7 million in grant funds during fiscal year 2019. Of this amount, the Authority passed about \$18.9 million to 67 subrecipients.

As of July 1, 2018, the operations management of the DBHR was transferred from the Department of Social and Health Services to the Authority. At that time, the Authority assumed the responsibilities over the State Targeted Response to the Opioid Crisis grant. The State Opioid Response Grants were awarded directly to the Authority by the grantor effective September 29, 2018.

Federal regulations require the Authority to monitor the activities of its subrecipients. This includes verifying that its subrecipients that spend \$750,000 or more in federal awards during a fiscal year obtain a single audit. Further, for the awards it passes on to its subrecipients, the Authority must follow up and ensure its subrecipients take timely action on all deficiencies detected through audits, onsite reviews and other means, and must issue a management decision for audit findings pertaining to the federal award provided to the subrecipient by the Authority within six months of the audit report's acceptance by the Federal Audit Clearinghouse. These requirements help ensure grant money is used for authorized purposes and within the provisions of contracts or grant agreements.

***Description of Condition***

The Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Targeted Response to the Opioid Crisis and State Opioid Response Grants received required audits.

We found DBHR did not have adequate internal controls in place to verify:

- Subrecipients received required audits, if necessary
- Findings were followed up on and management decisions were issued in a timely manner

We randomly sampled 12 subrecipients from of a total population of 67 and found seven were not monitored to ensure their compliance with requirements for single audits of subrecipients.

We consider this internal control weakness to constitute a material weakness.

This condition was not reported in the prior audit.

### *Cause of Condition*

The Authority did not assign a staff member or unit to perform single audit tracking duties when the DBHR transitioned from the Department.

In October 2019, the Authority established a subrecipient monitoring workgroup and began the process to determine whether audit monitoring would be handled on a program level or by a centralized group. However, this activity did not occur during the audit period.

### *Effect of Condition*

Without establishing adequate internal controls, the Authority cannot ensure all subrecipients that met the threshold for a single audit complied with federal grant requirements.

### *Recommendations*

We recommend the Authority:

- Establish policies and procedures related to subrecipient audit monitoring
- Continue to support its subrecipient monitoring workgroup

### *Authority's Response*

*The Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services (DSHS) to the Health Care Authority (Authority) in July 2018. The Authority assumed responsibility over the State Targeted Response to the Opioid Crisis and began responsibility over the State Opioid Response Grants.*

*As mentioned by the State Auditors, the Authority has already taken steps to address the audit recommendations including establishing an agency wide subrecipient monitoring workgroup to define roles and responsibilities for:*

- *Assessing and updating policies and procedures related to subrecipient monitoring*
- *Strengthening internal controls to ensure:*
  - *Subrecipients submit required audits*
  - *Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.*

- *All audit findings and correction action plans are tracked and management decisions are issued promptly.*

*The Authority will ensure the subrecipient monitoring workgroup continues and the audit recommendations are addressed.*

### ***Auditor's Concluding Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
  - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
  - (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.
- (f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Section 200.521 Management Decisions, states in part:

(c) Pass-through entity. As provided in § 200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

(d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-066      The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required risk assessments.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.788      Opioid State Targeted Response (STR)
<b>Federal Award Number:</b>	6H79TI080249-01M001; 6H79TI026803-02M001; 6H79TI026803-02M002; 6H79TI080249-02M004; 1H79TI081705-01; 3H79T0817505-01S1; 6H79TI081705-01M003
<b>Applicable Compliance Component:</b>	Subrecipient Monitoring
<b>Known Questioned Cost Amount:</b>	None

***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the Opioid State Targeted Response grant and State Opioid Response Grants. The Authority subawards some of the funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and recovery services. The Authority spent more than \$24.7 million in grant funds during fiscal year 2019. Of this amount, the Authority passed about \$18.9 million to 67 subrecipients.

As of July 1, 2018, the operations management of the DBHR was transferred from the Department of Social and Health Services to the Authority. At that time, the Authority assumed the responsibilities over the State Targeted Response to the Opioid Crisis grant. The State Opioid Response Grants were awarded directly to the Authority by the grantor effective September 29, 2018.

To determine the appropriate level of monitoring, federal regulations require the Authority to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward.

***Description of Condition***

The Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required risk assessments.

We randomly sampled nine out of a total population of 38 subrecipients of the State Opioid Response Grants who should have received risk assessments during the audit period and found five (56 percent) did not receive required risk assessments.

We consider this internal control weakness to constitute a material weakness. This condition was not reported in the prior audit.



### *Cause of Condition*

The Authority did not monitor to ensure subrecipients of the State Opioid Response Grants received required risk assessments.

### *Effect of Condition*

By not performing risk assessments of subrecipients, the Authority is less likely to perform adequate monitoring that would detect whether subrecipients comply with grant terms and federal regulations. Without adequate monitoring procedures, the Authority cannot ensure risk assessments are performed consistently and analyze the proper criteria, which would ensure consistency in determining the appropriate amount of monitoring for each subrecipient.

### *Recommendations*

We recommend the Authority:

- Establish adequate monitoring procedures to ensure required risk assessments are performed
- Ensure the results of the risk assessments are used to determine how much and what type of monitoring of subrecipients will be performed, as required by federal law

### *Authority's Response*

*The Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services (DSHS) to the Health Care Authority (Authority) in July 2018. The Authority assumed the responsibilities over the Opioid State Targeted Response grant and began responsibility over the State Opioid Response Grants. .*

*The Authority has already taken steps to address the audit recommendations including establishing an agency wide subrecipient monitoring workgroup to define roles and responsibilities for:*

- *Assessing and updating policies and procedures related to subrecipient monitoring*
- *Strengthening internal controls to ensure:*
  - *Monitoring is in place to ensure risk assessments are performed for all subrecipients.*
  - *Results of risk assessments are used to determine what type and level of monitoring will be performed for subrecipients.*

*The Authority will ensure the subrecipient monitoring workgroup continues and the audit recommendations are addressed.*

### *Auditor's Concluding Remarks*

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### *Applicable Laws and Regulations*

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor’s determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor’s determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

Section 200.331 Requirements for pass-through entities, states in part:

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

(c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in §200.207 Specific conditions.

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing subrecipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the subrecipient's program operations;
- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200 – Frequently Asked Questions

- .331-10 Requirements for Pass-Through Entities. Timing of Subrecipient Risk Assessments, states in part:

Section §200.331 (b) indicates that pass-through entities must “evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring . . .” Are pass-through entities required to assess the risk of non-compliance for each applicant prior to issuing a subaward?

No. While section §200.331 (b) requires risk assessments of subrecipients, there is no requirement for pass-through entities to perform these assessments before making subawards. Under the Uniform Guidance, the purpose of these risk assessments is for pass-through entities to determine appropriate subrecipient monitoring. Pass-through entities may use judgment regarding the most appropriate timing for the assessments. Regardless of the timing chosen, the pass-through entity should document its procedures for assessing risk. Section §200.331 (b)(1)(4) includes factors that a pass-through entity may consider when assessing subrecipient risk.

**2019-067      The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.**

<b>Federal Awarding Agency:</b>	Health and Human Services, Health Resources and Services Administration
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.870      Maternal, Infant, and Early Childhood Home Visiting Program
<b>Federal Award Number:</b>	UH4MC30465;      X10MC32742;      UH4MC33157; 17X10MC31177; 17X10MC32877
<b>Applicable Compliance Component:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles
<b>Known Questioned Cost Amount:</b>	\$274,287

### ***Background***

Washington pioneered a unique approach to home visiting, with a private-public partnership between the Department of Children, Youth, and Families and Thrive Washington (now called the Ounce Washington), one of the subrecipients reviewed in this audit. The Home Visiting Services Account (HVSA) was established by the state Legislature in 2010, and a portion of the funds for the HVSA are provided through the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) federal grant.

MIECHV programs are intended to support and strengthen cooperation and coordination and promote linkage among various programs that serve pregnant women, expectant fathers, young children, and families in tribal communities and result in high-quality, comprehensive early childhood systems in every community.

The Department is allowed to request federal reimbursement for salaries and benefits for MIECHV program activities. The Department established a process where employees who spend 100 percent of their time working on the grant must submit semi-annual certification. Employees who work on multiple grants must submit timesheets to track daily activities performed for each grant. Twice a month, these employees complete and sign a timesheet and submit it to their direct supervisor for approval. The supervisor reviews and approves the employee's timesheet to ensure they are correctly charging time to the program.

The Department's Cost Allocation Unit sets up cost objectives to allocate initial payroll costs to the program based on a budgeted percentage. Each month, employees submit approved timesheets to the unit, where staff compare the percentage of the budgeted allocation to the percentage of actual hours worked for the program. Staff use the difference between the time budgeted and the time actually worked to create accounting adjustments to ensure the payroll costs charged to the grant are based on actual hours worked.

The Department spent about \$11.2 million in federal grant funds during fiscal year 2019. Of this amount, the Department claimed \$735,549 in federal grant funds for program salaries and benefits. This amount represented about 7 percent of total grant expenditures.

### *Description of Condition*

The Department did not have adequate internal controls over and did not comply with requirements to ensure payroll charges for the MIECHV grant were allowable and properly supported.

#### *Employees who charge all of their time to the grant*

During the audit period, the Department did not complete any semi-annual certifications to ensure the two employees who charged 100 percent of their time to the federal grant for the MIECHV program were allowable and properly supported.

#### *Employees who work on multiple grants*

The Department did not have adequate internal controls to ensure payroll costs charged to the grant were accurate. We used a non-statistical sampling method to randomly sample five months of a total population of 12 months. The samples we reviewed included 8 employees, 78 timesheets, and 48 journal vouchers, and we found:

- Six instances when employees did not sign the timesheets to certify the time worked was accurate
- Seven instances when supervisors did not sign the timesheets to certify employees' time worked was accurate
- One instance when the Department could not find the employee's timesheet
- Twelve instances when the Department did not create journal vouchers for the differences to adjust actual payroll costs charged to the grant
- Forty eight instances when the amount of journal vouchers were over or understated

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the previous audit.

### *Cause of Condition*

The Department did not monitor to ensure the two employees whose time was 100 percent charged to the grant submitted a semi-annual certification in a timely manner. The Department also said limited staffing resources and lack of training caused inaccurate reconciliations.

Additionally, the Department did not have written policies in place to ensure it adequately supported payroll costs paid for with federal grant funds.



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

The Department charged \$274,287 in payroll to the MIECHV grant that was not adequately supported. We are questioning these costs. We used a non-statistical sampling method and estimate likely questioned costs to be \$374,805.

We question costs when we find an agency has not complied with grant regulations or when it does not have adequate records to support its expenditures.

### ***Recommendations***

We recommend the Department:

- Establish policies and procedures to ensure it adequately supports direct payroll costs charged to the federal grant
- Provide proper training to staff to ensure payroll costs are charged to the program accurately
- Consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid

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

*The Department concurs with the finding that adequate internal controls were not in place to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.*

*During the audit period, the Department's resources were focused on the transition of the Juvenile Rehabilitation Division and Child Care Subsidy Customer Service Contact Center program, formerly of the Department of Social and Health Services, into the Department effective July 2019. The cost allocation team responsible for completing the semi-annual certifications and payroll JVs were assisting with the transition and onboarding of an additional 1,500 employees during the same time-period. Due to the lack of available resources and vacant positions, the Department chose to focus staff time on processing the new agency payroll and benefits payments and other onboarding activities.*

*As to the Auditor's specific recommendations, the Department:*

- *Has implemented a payroll certification policy effective August 29, 2019.*
- *Will complete payroll certifications for SFY19.*
- *Will provide training to program and cost allocation staff to verify timesheets and JVs are properly completed.*
- *Will work with the Administration for Children & Families if they determine question costs should be repaid.*

### ***Auditor's Remarks***

We thank the Department for its cooperation and assistance throughout the audit. We will review the status of the Department's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.53 Improper Payments states:

- (a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and
- (b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.403 Factors affecting Allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards.

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b).
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

#### Section 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also Subpart D—Post Federal Award Requirements of this part, §§200.300 Statutory and national policy requirements through 200.309 Period of performance.

#### Section 200.430 Compensation—personal services states in part:

a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in §200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

- (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;
- (2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and
- (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) Professional activities outside the non-Federal entity. Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal Government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis

(i) Standards for Documentation of Personnel Expenses

(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may

include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, “rolling” time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal Government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

Section 200.516 Audit findings, states in part:

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

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of



compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.
- (3) Known questioned costs that are greater than \$25,000 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 must also report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

- .11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

**2019-068      The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Block Grants for Prevention and Treatment of Substance Abuse were allowable and met earmarking requirements.**

<b>Federal Awarding Agency:</b>	U.S. Department of Health and Human Services
<b>Pass-Through Entity:</b>	None
<b>CFDA Number and Title:</b>	93.959      Block Grants for Prevention and Treatment of Substance Abuse
<b>Federal Award Number:</b>	2B08TI010056-17; 2B08TI010056-17S1; 3B08TI010056-18S2; 6B08TI010056-18M002; 2B08TI010056-19; 3B08TI010056-19S1
<b>Applicable Compliance Components:</b>	Activities Allowed/Unallowed Allowable Costs/Cost Principles Earmarking
<b>Known Questioned Cost Amount:</b>	None

## Background

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the Block Grants for Prevention and Treatment of Substance Abuse. The Authority provides federal funds to counties, tribes, nonprofit organizations and other state agencies to develop prevention programs and provide treatment and support services. The Authority spent more than \$43.2 million in grant funds during fiscal year 2019. Of this amount, the Authority spent more than \$35.3 million on payments to providers of treatment and prevention support services.

The Authority can use grant funds only for costs that are allowable and related to the grant's purpose. The U.S. Department of Health and Human Services also requires the Authority to spend certain minimum and maximum percentages of its grant award on specific activities. These stipulations are known as grant earmarks. Specifically, the Authority must:

- Spend at least 20 percent of federal Block Grant funds for primary prevention programs for individuals who do not require treatment of substance abuse
- Not spend more than 5 percent of the grant to pay the cost of administering the grant

The Authority assigns specific coding in its accounting system to classify prevention and administrative expenditures applicable to the earmarking requirements when providers request reimbursement. When reimbursement requests are received, Program Managers are responsible for reviewing supporting documentation to determine if the services billed are for an allowable activity under the grant. The DBHR Financial Unit then reviews each request to ensure account coding is appropriate, program approvals are obtained, and amounts are correct.

As of July 1, 2018, the administration of the Block Grants for Prevention and Treatment of Substance Abuse was transferred from the Department of Social and Health Services to the Authority, which then assumed responsibility over the program.

## Description of Condition

The Health Care Authority did not have adequate internal controls to ensure payments made to providers with the Block Grants for Prevention and Treatment of Substance Abuse were allowable and complied with earmarking requirements.

We used a statistical sampling method to randomly select 58 out of 1,535 provider reimbursements. In addition, we reviewed three individually significant reimbursements. We examined each reimbursement to determine if program and fiscal approval had been obtained before issuing payments. We found:

- One reimbursement (2 percent) did not receive program approval; and
- 12 reimbursements (21 percent) did not receive fiscal approval.

We consider these internal control deficiencies to be a material weakness.

This condition was not reported in the prior audit.

## Cause of Condition

Due to a staff shortage in the DBHR Financial Unit, another fiscal unit at the Authority assisted DBHR with payment processing and was not aware of the proper procedure for documenting approvals. Additionally, the Authority did not monitor provider reimbursements to ensure approvals from program and fiscal management were documented.

## Effect of Condition

By not establishing effective internal controls over provider reimbursements, the Authority is at higher risk of making improper payments for provider services. By not reviewing reimbursements to ensure proper account coding is applied to the transactions, the Authority cannot ensure compliance with earmarking requirements.

## Recommendations

We recommend the Authority:

- Improve its internal controls to ensure program and fiscal management approvals are documented in accordance with Authority policies
- Ensure all required approvals are obtained before authorizing reimbursement to a provider
- Improve its internal controls to ensure account coding is correctly applied to each transaction to adequately monitor compliance with earmarking requirements

## Authority's Response

*The Health Care Authority, (HCA) concurs with this finding. With the operations and management of the Substance and Abuse Block Grant, (SABG) moving from the Department of Social and*

*Health Services, (DSHS) to HCA in July of 2018, there were some structural and logistical changes necessary to transfer the grant management tasks effectively over to HCA. Some of the challenges in these logistical changes were a lack of FTEs to support the accounts payable functions. HCA, in an attempt to address a growing backlog of payments allocated FTE resources from other accounting units to process payments. During this time some of the procedures established to ensure payments include the proper approvals were missed. HCA has been able to increase the level of FTEs for the Accounts Payable unit from three to six staff.*

*HCA does not manage the earmarking requirements of the grant at the individual payment level. HCA has created and staffed a new unit for grants management and has identified staff specifically responsible for monitoring and managing the fiscal requirements of all our federal grants. These positions are aware of the requirements and consistently monitor the balances. The Grants Management unit manages the earmarking requirement at an aggregate level. They will adjust expenditures if needed to ensure we comply with the earmarking requirements*

### **Auditor's Concluding Remarks**

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### **Applicable Laws and Regulations**

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency

in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

Title 45, Code of Federal Regulations, Section 96.135 – Restrictions on expenditure of grant, states in part:

**(b) The State shall limit expenditures on the following:**

- (1) The State involved will not expend more than 5 percent of the grant to pay the costs of administering the grant;

Title 45, Code of Federal Regulations, Section 96.124 – Certain allocations, states in part:

(b) The States are also to expend the Block Grant on primary prevention programs as follows:

(1) Consistent with § 96.125, the State shall expend not less than 20 percent for programs for individuals who do not require treatment for substance abuse, which programs -

(i) educate and counsel the individuals on such abuse; and

(ii) provide for activities to reduce the risk of such abuse by the individuals;



**2019-069      The Health Care Authority did not have adequate internal controls over and did not comply with federal level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services

**Pass-Through Entity:** None

**CFDA Number and Title:** 93.959      Block Grants for Prevention and Treatment of Substance Abuse

**Federal Award Number:** 2B08TI010056-17; 2B08TI010056-17S1; 3B08TI010056-18S2; 6B08TI010056-18M002; 2B08TI010056-19; 3B08TI010056-19S1

**Applicable Compliance Component:** Level of Effort

**Known Questioned Cost Amount:** None

***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the Block Grants for Prevention and Treatment of Substance Abuse program. The Authority passes down federal award funds through subawards to counties, tribes, and nonprofit organizations to develop prevention programs and provide treatment and support services. The Authority spent more than \$43.2 million in grant funds during fiscal year 2019.

Federal regulations require the Authority to maintain state spending at certain levels to meet federal grant requirements. Specifically, for the Block Grants for Prevention and Treatment of Substance Abuse, the Authority must maintain state spending for:

- Treatment services for pregnant women and women with dependent children at a level that is not less than the amount spent for the same services in 1994
- Authorized activities at a level that is not less than the average of the previous two years spending for the program

Additionally, in meeting this level of effort requirement, the Authority must not use the Block Grants for Prevention and Treatment of Substance Abuse to supplant State funding of alcohol and other drug prevention and treatment programs.

As of July 1, 2018, the operations management of DBHR was transferred from the Department of Social and Health Services (Department) to the Authority. The Authority assumed responsibility over the Block Grants for Prevention and Treatment of Substance Abuse program.

***Description of Condition***

The Authority did not have adequate internal controls over and did not comply with federal level-of-effort requirements for the Block Grant for Prevention and Treatment of Substance Abuse program.

To monitor current state funding levels, the Authority runs an expenditure report from its accounting system each quarter to determine if current expenditures are on track to meet the

level-of-effort requirements for all open grant awards. Upon closing each grant, the Authority also runs a final report to ensure the requirements were met. During the audit period, the Authority was required to maintain state expenditures at no less than the average of the prior two-year spending levels, or \$107,557,424. We found that the amount of expenditures for fiscal year 2019 was \$4,554,551 less than the required amount.

We consider this internal control deficiency to be a material weakness.

This condition was not reported in the prior audit.

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

During the State's fiscal year-end adjustment period, the Authority transferred allowable state funded expenditures to the federal grant, but did not subsequently monitor final state expenditures levels to ensure it met the spending requirements. Additionally, the quarterly expenditure reports prepared by fiscal staff did not contain appropriate criteria to accurately reflect state spending levels.

### ***Effect of Condition***

Without adequate internal controls in place, the Authority cannot ensure it meets all level of effort requirements. By not complying with the federal requirements, the Authority risks having to repay federal funds or having future federal funds withheld.

### ***Recommendations***

We recommend the Authority:

- Improve internal controls to ensure sufficient monitoring of level-of-effort requirements
- Ensure staff follow policies and procedures for monitoring level of effort
- Ensure transfers of state-funded expenditures to federal awards are monitored to ensure minimum state spending thresholds are met

### ***Authority's Response***

*The Health Care Authority, (HCA) concurs with this finding. With the operations and management of the Substance and Abuse Block Grant, (SABG) moving from the Department of Social and Health Services, (DSHS) to HCA in July of 2018, there were some structural and logistical changes necessary to transfer the grant management tasks effectively over to HCA. As this process took place we discovered that certain adjustments to SFY 2018 state expenditures qualifying as maintenance of effort were not taken into account during the reporting of the SFY 2018 Maintenance of Effort, (MOE) expenditures. These expenditures effectively increased the MOE requirement for SFY 2019, which is based on an average of SFY 2017 and SFY 2018 expenditures. HCA communicated this information to the auditors during the fieldwork of the audit and it was used by SAO in calculating the SFY 2019 MOE requirement of \$107,557,424. HCA has adjusted the SFY 2019 expenditures in order to meet the MOE requirement, but the adjustment was processed outside the audit period.*

*HCA has created and staffed a new unit for grants management and has identified staff specifically responsible for monitoring and managing the MOE requirements of all our federal grants. These*

*positions are aware of the requirements and consistently monitor the balances. They also report this information to the management teams of both the relevant program areas and Financial Services during regularly scheduled meetings.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes the following applicable requirements:

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 200.516 Audit findings, states in part:

- (a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:
  - (1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.
  - (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose

of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

**Deficiency in internal control over compliance.** 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 on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Material weakness in internal control over compliance.** A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

**Reasonably possible.** The chance of the future event or events occurring is more than remote but less than likely.

**Probable.** The future event or events are likely to occur.

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

**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

Title 45, Code of Federal Regulations, Section 96.134 - Maintenance of effort regarding State expenditures, states in part:

- (a) With respect to the principal agency of a State for carrying out authorized activities, the agency shall for each fiscal year maintain aggregate State expenditures by the principal agency for authorized activities at a level that is not less than the average level of such expenditures maintained by the State for the two year period preceding the fiscal year for which the State is applying for the grant.

**2019-070      The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.**

**Federal Awarding Agency:** U.S. Department of Health and Human Services  
**Pass-Through Entity:** None  
**CFDA Number and Title:** 93.959      Block Grants for Prevention and Treatment of Substance Abuse  
**Federal Award Number:** 2B08TI010056-17; 2B08TI010056-17S1; 3B08TI010056-18S2; 6B08TI010056-18M002; 2B08TI010056-19; 3B08TI010056-19S1  
**Applicable Compliance Component:** Subrecipient Monitoring  
**Known Questioned Cost Amount:** None

### ***Background***

The Health Care Authority (Authority), Division of Behavioral Health and Recovery (DBHR), administers the Block Grants for Prevention and Treatment of Substance Abuse program. The Authority passes down federal award funds through subawards to counties, tribes, and nonprofit organizations to develop prevention programs and provide treatment and support services. The Authority spent more than \$43.2 million in grant funds during fiscal year 2019. Of this amount, the Authority passed about \$13.6 million to 78 subrecipients.

When federal funds are passed down to subrecipients, federal regulation (2 CFR 200.331(a)) requires the subrecipient to be notified of all required information concerning the subaward, including all or additional requirements. The Authority must clearly identify 13 subaward components to any subrecipient receiving federal funds.

Upon execution of a subaward for prevention or treatment services, the Authority incorporates the Federal Award Identification for Subrecipients page as an attachment to the subaward. This document contains a boilerplate containing all 13 required components. The Authority uses the Electronic Contracts Management System (ECMS) to input all required fields into the subaward. Depending on these inputs, ECMS will automatically be prompted to include the applicable subaward information and any other required subrecipient language.

As of July 1, 2018, the operations management of DBHR was transferred from the Department of Social and Health Services (DSHS) to the Authority. The Authority assumed responsibility over the Block Grants for Prevention and Treatment of Substance Abuse program.

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

The Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse funds contained all required information.

During the audit period, the Authority executed 12 subawards for the Block Grants for Prevention and Treatment of Substance Abuse program. We examined all 12 contracts and found four (33 percent) did not contain the following required items:

- (ii) Subrecipient's unique entity identifier;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient; or
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation.

We consider these internal control deficiencies to be a material weakness. This condition was not reported in the prior audit.

### *Cause of Condition*

When DBHR transitioned to the Authority, responsibility for executing subawards transitioned from the contracts division to program management. For the four noncompliant subawards, program staff did not properly categorize the contractor as a subrecipient. Because of this improper classification, not all of the required subaward information was communicated to the subrecipient in the subaward. Additionally, because these determinations are made at the program level, contract staff did not have the knowledge when reviewing and approving contracts to determine if any pertinent information is excluded.

In October 2019, the Authority established a subrecipient monitoring workgroup and began the process to determine how best to address the identified deficiencies. However, this decision occurred after the audit period ended.

### *Effect of Condition*

Without adequate internal controls in place, the Authority cannot ensure it is compliant with subrecipient monitoring requirements. By not clearly identifying the subaward funding period and funding amounts, the Authority risks making improper payments under the program.

### *Recommendations*

We recommend the Authority:

- Include all required information when issuing subawards
- Improve its internal controls to ensure compliance with requirements for federal subawards
- Ensure staff responsible for executing contracts understand Authority contractor classifications

### *Authority's Response*

*The Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services (DSHS) to the Health Care Authority (Authority) in July 2018. The Authority*



*assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.*

*As mentioned by the State Auditors, the Authority has already taken steps to address the audit recommendations including establishing an agency wide subrecipient monitoring workgroup to define roles and responsibilities for:*

- *Assessing and updating policies and procedures related to subrecipient monitoring*
- *Strengthening internal controls to ensure:*
  - *Subrecipients are accurately classified during the contract review and approval process.*
  - *All required information is included when subawards are issued.*

*The Authority will ensure the subrecipient monitoring workgroup continues and the audit recommendations are addressed.*

### ***Auditor's Remarks***

We thank the Authority for its cooperation and assistance throughout the audit. We will review the status of the Authority's corrective action during our next audit.

### ***Applicable Laws and Regulations***

Section 200.303 Internal controls, states in part:

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
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Section 200.516 Audit findings, states in part:

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control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

- (2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, as follows:

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**Material noncompliance.** In the absence of a definition of material noncompliance in the governmental audit requirement, a failure to follow compliance requirements or a violation of prohibitions included in the applicable compliance requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the affected government program.

2 CFR Section 200.331 - Requirements for pass-through entities, states in part:

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see § 200.39 Federal award date) of award to the recipient by the Federal agency;

(v) Subaward Period of Performance Start and End Date;

(vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;

(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;

(xii) Identification of whether the award is R&D; and

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f);

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward.



STATE OF WASHINGTON  
**OFFICE OF FINANCIAL MANAGEMENT**

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

March 19, 2020

Washington State Auditor's Office  
ATTN: Jim Brownell, Audit Manager  
3200 Sunset Way S.E.  
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's Summary Schedule of Prior Audit Findings for the following audit findings in the fiscal year 2019 Single Audit report.

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2018-001	State of Washington	In progress	H - 13
2018-002	Department of Social and Health Services	In progress	H - 17
2018-003	Department of Health	In progress	H - 19
2018-004	Department of Health	In progress	H - 20
2018-005	Department of Health	In progress	H - 21
2018-006	Department of Health	In progress	H - 22
2018-007	Office of the State Treasurer	Complete	H - 23
2018-008	Military Department	In progress	H - 24
2018-009	Office of Civil Legal Aid	Complete	H - 25
2018-010	Office of Civil Legal Aid	Complete	H - 26

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2018-011	Department of Transportation	In progress	H - 27
2018-012	Department of Transportation	In progress	H - 28
2018-013	Department of Transportation	In progress	H - 29
2018-014	Department of Transportation	In progress	H - 30
2018-015	Department of Transportation	In progress	H - 31
2018-016	Department of Ecology	In progress	H - 33
2018-017	Department of Ecology	In progress	H - 34
2018-018	Department of Services for the Blind	Complete	H - 35
2018-019	Department of Services for the Blind	In progress	H - 37
2018-020	Department of Services for the Blind	In progress	H - 38
2018-021	Department of Social and Health Services	In progress	H - 39
2018-022	Department of Social and Health Services	In progress	H - 41
2018-023	Department of Social and Health Services	In progress	H - 42
2018-024	Department of Social and Health Services	In progress	H - 44
2018-025	Department of Social and Health Services	In progress	H - 45
2018-026	Department of Social and Health Services	In progress	H - 46
2018-027	Department of Social and Health Services	In progress	H - 48
2018-028	Department of Social and Health Services	In progress	H - 50
2018-029	Department of Social and Health Services	Corrective Action Not Taken	H - 52
2018-030	Department of Social and Health Services	In progress	H - 54
2018-031	Department of Social and Health Services	Complete	H - 57

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2018-032	Department of Commerce	In progress	H - 59
2018-033	Department of Children, Youth, and Families	In progress	H - 61
2018-034	Department of Children, Youth, and Families	In progress	H - 63
2018-035	Department of Children, Youth, and Families	In progress	H - 66
2018-036	Department of Social and Health Services	Complete	H - 68
2018-037	Department of Social and Health Services	In progress	H - 69
2018-038	Department of Social and Health Services	In progress	H - 70
2018-039	Department of Social and Health Services	In progress	H - 71
2018-040	Department of Health	Complete	H - 72
2018-041	State Health Care Authority	In progress	H - 73
2018-042	State Health Care Authority	In progress	H - 74
2018-043	State Health Care Authority	Complete	H - 76
2018-044	State Health Care Authority	Complete	H - 77
2018-045	State Health Care Authority	In progress	H - 78
2018-046	State Health Care Authority	In progress	H - 79
2018-047	State Health Care Authority	In progress	H - 80
2018-048	State Health Care Authority	Corrective Action Not Taken	H - 81
2018-049	State Health Care Authority	In progress	H - 82
2018-050	Department of Social and Health Services	In progress	H - 83
2018-051	Department of Social and Health Services	In progress	H - 85
2018-052	Department of Social and Health Services	In progress	H - 86



<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2018-053	Department of Social and Health Services	In progress	H - 87
2018-054	Department of Social and Health Services	In progress	H - 89
2018-055	Department of Social and Health Services	In progress	H - 91
2018-056	Department of Social and Health Services	In progress	H - 92
2018-057	Department of Social and Health Services	In progress	H - 94
2018-058	Department of Social and Health Services	In progress	H - 96
2018-059	Department of Social and Health Services	In progress	H - 99
2018-060	Department of Social and Health Services	In progress	H - 101
2018-061	Military Department	In progress	H - 103
2017-001	State of Washington	Repeat Finding	Refer to finding 2018-001 at H - 13
2017-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-002 at H - 17
2017-003	Department of Health	Complete	H - 104
2017-005	Employment Security Department	Complete	H - 105
2017-006	Department of Services for the Blind	Complete	H - 106
2017-007	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-018 at H - 35
2017-008	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-020 at H - 38
2017-009	Department of Services for the Blind	Complete	H - 108
2017-010	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-019 at H - 37
2017-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-022 at H - 41
2017-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-021 at H - 39

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2017-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-023 at H - 42
2017-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-025 at H - 45
2017-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-026 at H - 46
2017-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-027 at H - 48
2017-020	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-028 at H - 50
2017-021	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-029 at H - 52
2017-022	Department of Social and Health Services	In progress	H - 109
2017-023	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-031 at H - 57
2017-024	Department of Early Learning	Repeat Finding	Refer to finding 2018-034 at H - 63
2017-025	Department of Early Learning	Repeat Finding	Refer to finding 2018-035 at H - 66
2017-026	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-030 at H - 54
2017-027	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-036 at H - 68
2017-028	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-038 at H - 70
2017-030	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-039 at H - 71
2017-031	State Health Care Authority	Repeat Finding	Refer to finding 2018-041 at H - 73
2017-032	State Health Care Authority	Complete	H - 110
2017-033	State Health Care Authority	Repeat Finding	Refer to finding 2018-042 at H - 74
2017-034	State Health Care Authority	Repeat Finding	Refer to finding 2018-043 at H - 76
2017-035	State Health Care Authority	Complete	H - 112
2017-036	State Health Care Authority	Complete	H - 114

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2017-037	State Health Care Authority	Repeat Finding	Refer to finding 2018-046 at H - 79
2017-038	State Health Care Authority	Corrective Action Not Taken	H - 115
2017-039	State Health Care Authority	In progress	H - 116
2017-040	State Health Care Authority	Corrective Action Not Taken	H - 117
2017-041	State Health Care Authority	Complete	H - 118
2017-043	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-053 at H - 87
2017-044	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-058 at H - 96
2017-045	Department of Social and Health Services	Complete	H - 119
2017-046	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-060 at H - 101
2017-047	Department of Social and Health Services	Complete	H - 121
2017-048	Department of Social and Health Services	In progress	H - 123
2017-049	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-056 at H - 92
2017-050	Department of Social and Health Services	In progress	H - 125
2017-052	Military Department	Repeat Finding	Refer to finding 2018-061 at H - 103
2016-001	State of Washington	Repeat Finding	Refer to finding 2018-001 at H - 13
2016-002	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-002 at H - 17
2016-009	Department of Services for the Blind	Repeat Finding	Refer to finding 2018-018 at H - 35
2016-010	Department of Social and Health Services	Complete	Refer to finding 2017-006 at H - 106
2016-011	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-022 at H - 41
2016-012	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-021 at H - 39

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2016-013	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-023 at H - 42
2016-014	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-025 at H - 45
2016-016	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-028 at H - 50
2016-017	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-027 at H - 48
2016-018	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-029 at H - 52
2016-019	Department of Social and Health Services	Repeat Finding	Refer to finding 2018-026 at H - 46
2016-020	Department of Early Learning / Department of Social and Health Services	Repeat Finding	Refer to finding 2018-036 at H - 68
2016-021	Department of Early Learning	Repeat Finding	Refer to finding 2018-034 at H - 63
2016-022	Department of Early Learning	Repeat finding	Refer to finding 2018-035 at H - 66
2016-023	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2016-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-039 at H - 71
2016-028	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2016-030	State Health Care Authority	Repeat Finding	Refer to finding 2017-041 at H - 113
2016-032	State Health Care Authority	Repeat Finding	Refer to finding 2017-035 at H - 107
2016-033	State Health Care Authority	In progress	H - 127
2016-034	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H - 110
2016-036	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2016-043	Department of Social and Health Services	Repeat finding	Refer to finding 2018-060 at H - 101
2016-044	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118
2016-045	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2016-047	Department of Social and Health Services	Complete	H - 128
2016-048	Department of Social and Health Services	In progress	H - 129
2015-002	State of Washington	Repeat finding	Refer to finding 2018-001 at H - 13
2015-003	Department of Social and Health Services	Repeat finding	Refer to finding 2018-002 at H - 17
2015-016	Department of Social and Health Services	Repeat finding	Refer to finding 2018-025 at H - 45
2015-020	Department of Social and Health Services	Repeat finding	Refer to finding 2018-027 at H - 48
2015-021	Department of Social and Health Services	Repeat finding	Refer to finding 2018-029 at H - 52
2015-023	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2015-024	Department of Early Learning	Repeat finding	Refer to finding 2018-035 at H - 66
2015-025	Department of Early Learning	Repeat finding	Refer to finding 2018-036 at H - 68
2015-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2015-030	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2015-033	State Health Care Authority	Repeat finding	Refer to finding 2017-041 at H - 113
2015-037	State Health Care Authority	Complete	H - 130
2015-039	State Health Care Authority	Repeat finding	Refer to finding 2017-038 at H - 110
2015-040	Department of Social and Health Services	Repeat finding	Refer to finding 2018-056 at H - 92
2015-041	Department of Social and Health Services	Complete	H - 131
2015-044	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2015-049	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2015-051	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
2014-019	Department of Social and Health Services	Repeat finding	Refer to finding 2018-025 at H - 45
2014-022	Department of Social and Health Services	Repeat finding	Refer to finding 2018-002 at H - 17
2014-023	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2014-026	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2014-034	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2014-042	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2014-046	Department of Social and Health Services	Repeat finding	Refer to finding 2018-053 at H - 87
2014-048	Department of Social and Health Services	Repeat finding	Refer to finding 2017-048 at H - 118
2013-016	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
2013-017	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
2013-020	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
2013-036	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
2013-037	Department of Social and Health Services	Complete	Refer to finding 2017-048 at H - 118
12-28	Department of Early Learning	Repeat finding	Refer to finding 2018-034 at H - 63
12-30	Department of Social and Health Services	Repeat finding	Refer to finding 2018-030 at H - 54
12-39	Department of Social and Health Services	Repeat finding	Refer to finding 2018-058 at H - 96
12-49	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73
11-23	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
11-38	State Health Care Authority	Repeat finding	Refer to finding 2018-041 at H - 73

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Status</b>	<b>Page Number</b>
10-31	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
10-40	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73
09-12	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
09-19	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73
08-13	Department of Early Learning / Department of Social and Health Services	Repeat finding	Refer to finding 2018-034 at H - 63
08-25	Department of Social and Health Services	Repeat finding	Refer to finding 2018-041 at H - 73

The state's Summary Schedule of Prior Audit Findings is a compilation of the corrective action information provided to us by the applicable state agencies. The Summary Schedule of Prior Audit Findings document is prepared in conjunction with the 2019 Single Audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2019. If you have any questions regarding the Summary Schedule of Prior Audit Findings, please do not hesitate to contact our office.

Sincerely,

Brian Tinney  
Assistant Director, Accounting



## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	001	Finding:	The State should improve internal controls over specific areas of recording and reporting financial activity in the State’s financial statements.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>N/A</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	N/A	\$0
<u>CFDA #</u>	<u>Amount</u>						
N/A	\$0						
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below:</p> <p><i>State Board for Community and Technical Colleges</i></p> <p>It is the Board’s priority to ensure accurate financial data from the new financial system (ctcLink) is interfaced into the Agency Financial Reporting System (AFRS). Since the fiscal year 2017 audit, the Board has had a support team dedicated to assist the two colleges who implemented the ctcLink system to close their prior fiscal years.</p> <p>As of July 2018, the Board required all colleges’ fiscal months be closed on the same schedule.</p> <p>As of November 2018:</p> <ul style="list-style-type: none"><li>• The Community Colleges of Spokane closed fiscal years 2016, 2017, and 2018.</li><li>• The Tacoma Community College closed fiscal year 2018.</li></ul> <p>The Board is currently reviewing and reconciling the colleges’ financial data to AFRS; making necessary adjustments to ensure the data was recorded accurately in the system. The Board will continue to work with college staff to resolve outstanding issues.</p> <p>As of February 2019, the Board implemented an automated process for uploading data from the ctcLink system to AFRS. The new process will reduce the Board’s workload and enable more timely and accurate reconciliations and adjustments of college financial data reported in AFRS at year-end. Currently, the Board is working on identifying and resolving issues on preliminary data uploaded through June 2019.</p> <p>By August 2019, the Board anticipates that the data in the ctcLink system will be fully reconciled to AFRS.</p>				

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## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	<p data-bbox="672 422 948 449"><i>Department of Licensing</i></p> <p data-bbox="672 485 1463 575">The Department has completed a reconciliation of revenues to identify the sources of receipts in the clearing account and to correctly classify revenue in the accounting records.</p> <p data-bbox="672 611 1393 701">Additionally, the Department implemented new processes to ensure sources of revenue receipts are promptly identified and accurately recorded in the state's accounting system.</p> <p data-bbox="672 747 954 774"><i>University of Washington</i></p> <p data-bbox="672 810 1463 995">Since the University has a different accounting basis for reporting, OFM processes year-end adjustments to consolidate and properly report the University's financial information in the state's financial statements. In fiscal year 2018, certain misclassification of funds on the University's financial statements were not identified timely, resulting in misstatements on the state's financial statements.</p> <p data-bbox="672 1031 1430 1157">OFM and the University have been working on strengthening internal controls to ensure the year-end process for consolidating, adjusting and reporting year-end financial data in the state's accounting system are completed timely and accurately.</p> <p data-bbox="672 1192 1463 1377">As of June 2019, OFM implemented a monitoring plan for higher education institutions to identify issues that require immediate attention during the fiscal year. In addition, OFM will request the financial statements from each university and will compare material amounts on the statements to AFRS. Any variances identified will be evaluated with each university.</p> <p data-bbox="672 1413 1442 1472">For the University of Washington, OFM will review their draft financial statements before the CAFR opinion is issued.</p> <p data-bbox="672 1528 1036 1556"><i>Office of Financial Management</i></p> <p data-bbox="672 1591 1458 1776">OFM prepares the state's financial statements in accordance with generally accepted accounting principles. OFM concurs that several year-end adjustments were inaccurately recorded in fiscal year 2018 when implementing the new accounting standards related to pensions and other post-employment benefits. These errors were corrected in the state's final financial statements.</p> <p data-bbox="672 1812 1442 1969">OFM is responsible for ensuring all agencies report their fiscal activities accurately, and recognizes the importance of internal controls over recording and reporting financial transactions. OFM has the following procedures in place to monitor and identify significant agency activities that may impact the state's financial reporting:</p>

## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	<ul style="list-style-type: none"> <li>• Perform quarterly, mid-year, and year-end analytical reviews to detect unusual or questionable transactions.</li> <li>• Monitor and review unusual events or unique program activities related to legislative changes or other mandates, and assess the overall statewide impact.</li> <li>• Conduct necessary accounting research for all special and unique transactions and work with responsible agencies to ensure the transactions are properly accounted for and correctly reported in the State's accounting system. When interpretation of standards are not definitive, OFM will seek guidance from the Governmental Accounting Standards Board.</li> <li>• Monitor agencies' financial data by running monthly reports from AFRS to identify incorrect transactions and questionable balances.</li> </ul> <p>In fiscal year 2018, OFM utilized a new financial reporting software tool to prepare the State's Comprehensive Annual Financial Report (CAFR). The reporting software tool improved the efficiency and accuracy for developing the report. For fiscal year 2019, OFM has extended the agreed-upon opinion date for the CAFR, allowing additional time for preparation and review. OFM expects that increased proficiency in using the reporting software tool and additional preparation time will allow sufficient dedicated resources for year-end review.</p> <p>OFM maintains ongoing communication with agencies and continually emphasizes the need to seek OFM guidance when reporting unique accounting activities.</p> <p>As of January 2019, OFM:</p> <ul style="list-style-type: none"> <li>• Increased communication with agencies regarding the importance of performing regular and timely general ledger reconciliations.</li> <li>• Identified agencies with significant impact to the state's financial statements. Quarterly engagement meetings have been initiated with those agencies to discuss current issues and concerns, and to communicate any updated implementation guidance for new accounting standards.</li> </ul> <p>OFM will continue to:</p> <ul style="list-style-type: none"> <li>• Conduct meetings with all agencies prior to fiscal year-end close to provide important reminders and review outstanding issues.</li> <li>• Provide ongoing training classes to all state agencies on various topics related to the processing and reporting of financial activities.</li> <li>• Work with the State Board for Community and Technical Colleges, Department of Licensing, and the University of Washington to strengthen their internal controls over processing and reporting of financial activities.</li> </ul>

## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	001 (cont'd)	<p>Completion Date: Estimated November 2019</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360)725-0171 <a href="mailto:brian.tinney@ofm.wa.gov">brian.tinney@ofm.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	002	<p data-bbox="487 424 1455 487">Finding: The Department of Social and Health Services improperly charged \$454,838 to the SNAP Cluster.</p> <table border="1" data-bbox="487 520 1104 613"> <tr> <td data-bbox="487 520 610 546">Questioned Costs:</td><td data-bbox="675 520 766 546"><u>CFDA #</u></td><td data-bbox="1006 520 1097 546"><u>Amount</u></td></tr> <tr> <td data-bbox="487 550 610 575"></td><td data-bbox="675 550 766 575">10.551</td><td data-bbox="1006 550 1097 575">\$454,838</td></tr> <tr> <td data-bbox="487 579 610 604"></td><td data-bbox="675 579 766 604">10.561</td><td data-bbox="1006 579 1097 604"></td></tr> </table> <p data-bbox="487 646 980 672">Status: Corrective action in progress</p> <p data-bbox="487 709 1120 772">Corrective Action: The Department concurs with the finding.</p> <p data-bbox="675 772 1455 1117">In response to prior audit findings, the Department had taken steps to correct the deficiencies identified by the auditors. As of March 2017, the Department's Economic Services Administration implemented a mandatory process for staff to include the month of service (MOS) to transactions processed in the Agency Financial Reporting System (AFRS). The Department utilizes the MOS to perform a monthly review of AFRS transactions to identify unallowable charges and move them to the proper grant year via the journal voucher process. However, at the time of this audit, the Department has not established a process to ensure staff were following procedures to meet period of performance requirements.</p> <p data-bbox="675 1155 1461 1243">As of December 2018, the Department had moved the improperly charged expenditures identified in the audit to the proper grant year via the journal voucher process.</p> <p data-bbox="675 1281 1445 1369">As of February 2019, the Department updated processes and procedures for management oversight to prevent future expenditures from being improperly charged to the wrong grant year. The Department:</p> <ul data-bbox="708 1381 1455 1629" style="list-style-type: none"> <li>• Assigned backup coverage during staff absences.</li> <li>• Began reviewing and monitoring monthly expenditure reports, and taking action where appropriate.</li> <li>• Increased staff accountability through the use of a monthly task list.</li> <li>• Began meeting monthly with the Accounting and Internal Control Administrator to provide updates on corrective action status related to period of performance issues.</li> </ul> <p data-bbox="675 1671 1435 1759">If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p data-bbox="675 1797 1448 1860">The conditions noted in this finding were previously reported in findings 2017-002, 2016-002, 2015-003, and 2014-022.</p> <p data-bbox="487 1894 792 1948">Completion Date: In progress</p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		10.551	\$454,838		10.561	
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>									
	10.551	\$454,838									
	10.561										

**Department of Social and Health Services****Agency 300**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2018	002 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	003	Finding:	The Department of Health improperly charged \$151 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$151</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$151
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$151				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department has been working on a new system, Cascades MIS, which issues benefits on electronic benefit cards. The new system has built-in safeguards, which will prevent loading funds onto a client’s benefit card if proof of identity/residence and/or income verification is not provided within 30 days after the initial intake appointment.</p> <p>By October 2019, the Department will fully implement the Cascades MIS system.</p> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"><li>• Review current program policies to ensure they comply with federal requirements.</li><li>• Clarify policies and rules related to program eligibility with local agencies, and provide training and technical assistance as needed.</li><li>• Consult with the federal grantor to discuss whether the known questioned costs identified in the audit should be repaid.</li></ul>				
		Completion Date:	Estimated December 2019				
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a>						



Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	004	Finding:	The Department of Health improperly charged \$31,051 to the Special Supplemental Nutrition Program for Women, Infants and Children grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$31,051</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$31,051
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$31,051				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department will strengthen internal controls to insure quarterly time certifications are submitted in a timely manner. This includes:</p> <ul style="list-style-type: none"><li>• Reviewing Department policies and procedures to ensure they meet federal requirements.</li><li>• Evaluating current processes to identify areas that need improvement.</li><li>• Providing training to staff on Department policies and federal regulations related to time certifications.</li></ul> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p>				
		Completion Date:	Estimated July 2019				
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u><a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a></u>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	005	Finding:	The Department of Health did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Special Supplemental Nutrition Program for Women, Infants, and Children program received required audits.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>To strengthen internal controls over subrecipient monitoring, the Department will:</p> <ul style="list-style-type: none"><li>• Review and update the agency process of monitoring subrecipient audits to ensure the Department complies with federal requirements.</li><li>• Improve the agency spreadsheet used to track audit activities to include audit periods and due dates.</li><li>• Implement a process to follow up on subrecipient audit findings and issue timely management decisions.</li></ul>				
		Completion Date:	Estimated July 2019				
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u><a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a></u>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	006	Finding:	The Department of Health did not have adequate internal controls over and was not compliant with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants and Children grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>To strengthen internal controls over program cash management, the Department will:</p> <ul style="list-style-type: none"><li>• Update the Cash Management Improvement Act agreement to accurately reflect planned cash draw actions.</li><li>• Review and update agency procedures to ensure cash draws are performed in accordance with the Cash Management Improvement Act agreement.</li><li>• Ensure staff understand the federal requirements related to cash management and provide cross-training on processes to ensure compliance with federal regulations.</li></ul>				
		Completion Date:	Estimated July 2019				
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	007	Finding:	The Office of the State Treasurer did not have adequate internal controls to properly identify and notify participating counties of the amount and source of funds they received for the Schools and Roads program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.665</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.665	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		10.665	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Office does not concur with the finding.</p> <p>It is the Office’s priority to establish and maintain an effective system of internal controls to ensure financial integrity of public funds. The error reported in this finding was an isolated incident that was identified prior to the audit. As of July 2018, the Office had promptly corrected the mistake and subsequently followed up with each county to confirm the funding source was correctly recorded in their systems.</p> <p>The Office continually makes improvement to internal processes and appreciates the auditor’s recommendations to strengthen controls over the proper identification of funding types and amounts to participating counties of the program.</p> <p>As of September 2018, the Office has:</p> <ul style="list-style-type: none"><li>• Provided training to responsible staff to properly identify the different funding types.</li><li>• Formalized procedures to perform adequate review of the disbursements to ensure the amounts and funding types are reported accurately to the counties.</li></ul> <p>The Office continues to strive for the highest standards in fiscal management. The internal audit position recently added to the Office’s staff will provide on-going evaluation and monitoring of the Office’s internal procedures and control activities.</p>				
		Completion Date:	September 2018				
Agency Contact:	Abby Chavez Internal Auditor PO Box 40207 Olympia, WA 98501 (360) 902-8965 <a href="mailto:abby.chavez@tre.wa.gov">abby.chavez@tre.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	008	Finding:	The Military Department charged payroll costs to the Military Operations and Maintenance program that were not properly supported.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>12.401</td><td>\$82,338</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	12.401	\$82,338
		<u>CFDA #</u>	<u>Amount</u>				
		12.401	\$82,338				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>Department policy requires:</p> <ul style="list-style-type: none"><li>• Employees who are permanently assigned to activities directly benefiting a single federal program to submit a Certification of Time and Effort (certification) on a quarterly basis.</li><li>• Supervisors to review certifications for accuracy before submitting to the Payroll Office.</li></ul> <p>In some cases, despite efforts made by the Payroll Office to send reminders to employees and their supervisors, the certifications were never submitted to the Payroll Office.</p> <p>The Department will initiate the following actions to ensure payroll costs charged to a federal grant are supported by required documentation:</p> <ul style="list-style-type: none"><li>• Update time and effort reporting policy to provide timekeeping guidance and clarify requirements.</li><li>• Provide copies of the policy to overtime-exempt employees and supervisors who are subject to the certification requirement.</li><li>• Provide training to employees and supervisors on the Department’s procedures regarding time and effort certification.</li></ul> <p>Additionally, the Payroll Office will follow up with the designated supervisor for any employee’s past due certifications. Continued non-compliance with Department policy will lead to escalated actions as necessary until required documentation is received.</p> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p>				
		Completion Date:	Estimated September 2019				
		Agency Contact:	<p>TJ Rajcevich Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 <a href="mailto:timothy.rajcevich@mil.wa.gov">timothy.rajcevich@mil.wa.gov</a></p>				

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Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	009	Finding:	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victims Assistance program received required audits.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>16.575</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		16.575	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Office concurs with the finding.</p> <p>As of January 2019, the Office:</p> <ul style="list-style-type: none"><li>Established and implemented policies and procedures to monitor subrecipient audits in accordance with federal regulations.</li><li>Developed an audit certification form to determine if subrecipients are subject to audit requirement based on established criteria.</li></ul> <p>The new process requires:</p> <ul style="list-style-type: none"><li>Subrecipients subject to the audit to:<ul style="list-style-type: none"><li>Submit audit reports by specified due dates.</li><li>Complete corrective action plans and management responses if audit reports include findings.</li></ul></li><li>Subrecipients not subject to audit must submit signed certifications of exemption within nine months of the end of the subrecipient’s fiscal year.</li></ul> <p>Additionally, the Office has established a system to track subrecipients fiscal year-end and send annual notification of certification due date. Since implementation of the new policies and procedures, the Office has received three Single Audit reports and one certification of exemption.</p>				
		Completion Date:	January 2019				
Agency Contact:	<p>James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 <a href="mailto:jim.bamberger@ocla.wa.gov">jim.bamberger@ocla.wa.gov</a></p>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	010	Finding:	The Office of Civil Legal Aid did not have adequate internal controls over and did not comply with requirements to ensure subgrants of the Crime Victim Assistance Program received required risk assessments.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>16.575</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		16.575	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Office concurs with the finding.</p> <p>To address the audit recommendations, the Office:</p> <ul style="list-style-type: none"><li>Established and implemented policies and procedures to ensure risk assessments of subrecipients are performed and properly documented.</li><li>Developed a risk assessment tool to evaluate the ability of each subrecipient to perform the work and manage the administrative and financial responsibilities in accordance with the subgrant’s terms and conditions. Results of the risk assessment will be used as the basis for determining the level and type of monitoring activities.</li><li>Developed a risk assessment and monitoring checklist to track required monitoring activities.</li></ul> <p>In addition, the Office has upgraded internal controls and formalized procedures for monitoring subrecipients by:</p> <ul style="list-style-type: none"><li>Conducting initial risk assessment prior to entering into a new subgrant agreement.</li><li>Performing annual reassessments of all subrecipients within 30 days of the start of the state fiscal year.</li><li>Implementing necessary corrective actions and scheduling appropriate follow-up activities if a risk assessment indicates an elevated risk associated with the subrecipient.</li></ul> <p>As of April 2019, the Office had completed initial assessments of all current subrecipients.</p>				
		Completion Date:	April 2019				
Agency Contact:	<p>James A. Bamberger Director PO Box 41183 Olympia, WA 98504-1183 (360) 704-4135 <a href="mailto:jim.bamberger@ocla.wa.gov">jim.bamberger@ocla.wa.gov</a></p>						



Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	011	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
		<u>CFDA #</u>	<u>Amount</u>						
		20.205	\$0						
		20.224							
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments for fiscal year 2018 were suspended or debarred.</p> <p>In April 2019, the Department received a management decision letter for the finding from the Federal Highway Administration. The federal grantor concurred with the Department’s proposed corrective actions as outlined in the initial response to the finding recommendations.</p> <p>As of May 2019, the Department:</p> <ul style="list-style-type: none"><li>• Updated the Local Agency Guidelines Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts.</li><li>• Updated the boilerplate agreement to include a suspension and debarment clause for subrecipients to certify.</li></ul>						
Completion Date:	In progress								
Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	012	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
		<u>CFDA #</u>	<u>Amount</u>						
		20.205	\$0						
		20.224							
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Department is committed to ensuring grant programs comply with federal regulations.</p> <p>To strengthen internal controls over subrecipient monitoring, the Department:</p> <ul style="list-style-type: none"><li>• Evaluated the current processes at both the regional and headquarters level to identify areas for improvement regarding risk assessments for subrecipients.</li><li>• Updated policies and establish procedures for performing risk assessments to determine the appropriate level of monitoring.</li><li>• Worked with project stakeholders to develop a system for documenting risk assessments of subrecipients.</li></ul> <p>As of June 2019, the Department’s Local Program Office developed a form to complete and document subrecipient’s risk assessments.</p>						
		Completion Date:	In progress						
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <u>McKernS@wsdot.wa.gov</u>						

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	013	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.224	
		<u>CFDA #</u>	<u>Amount</u>						
		20.205	\$0						
		20.224							
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages. Please consider the email dated February 6, 2019, from FHWA in support of the Department’s compliance with the regulations at issue, and as referenced in the Department’s technical response to the State Auditor’s Office.</p> <p>In April 2019, the Department received a management decision letter for the finding from FHWA. The federal grantor approves the Department’s Construction Manual and Standard Specifications and concluded that the procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</p> <p>As of June 2019, the Department has also taken the following actions:</p> <ul style="list-style-type: none"><li>• Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors.</li><li>• Conducted discussions at various statewide meetings.</li><li>• Posted additional resources for regional offices on the Construction SharePoint site.</li><li>• Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements.</li></ul>						
		Completion Date:	In progress						
		Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status											
2018	014	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Federal Transit Cluster.										
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.500</td><td>\$0</td></tr><tr><td>20.507</td><td></td></tr><tr><td>20.525</td><td></td></tr><tr><td>20.526</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.500	\$0	20.507		20.525		20.526	
		<u>CFDA #</u>	<u>Amount</u>										
		20.500	\$0										
		20.507											
		20.525											
		20.526											
		Status:	Corrective action in progress										
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>After consulting with the Federal Transit Administration (FTA) and the Federal Highway Administration and conducting additional research, the Department believes its process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p>As of June 2019, the Department has taken the following actions in the continued effort of improvement:</p> <ul style="list-style-type: none"><li>• Issued a Construction Bulletin to the regional offices regarding monitoring timely collection of certified payrolls from contractors.</li><li>• Conducted discussions at various statewide meetings.</li><li>• Posted additional resources for regional offices on the Construction SharePoint site.</li><li>• Discussed with the Department of Labor and Industry to utilize its reporting tool beginning in January 2020, including how the system could be utilized/modified for the Davis-Bacon requirements.</li></ul> <p>The Department will continue to use Construction Bulletins to communicate best practices and other pertinent guidance to its regional construction offices on an ongoing basis, and will share this information with the Terminal and Vessel Engineering groups in the Ferries Division.</p> <p>The Department will consult with FTA for any further actions needed to resolve this finding. Federal management decisions for Single Audit findings are due within six months of issuing the Single Audit report. The Department will await the FTA management decision by September 2019 for any further action in response to the finding.</p>										
		Completion Date:	In progress										
Agency Contact:	Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a>												

Fiscal Year	Finding Number	Finding and Corrective Action Status											
2018	015	Finding:	The Department of Transportation, State Ferries Division, did not have adequate internal controls over and did not comply with equipment management requirements.										
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.500</td><td>\$0</td></tr><tr><td>20.507</td><td></td></tr><tr><td>20.525</td><td></td></tr><tr><td>20.526</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.500	\$0	20.507		20.525		20.526	
		<u>CFDA #</u>	<u>Amount</u>										
		20.500	\$0										
		20.507											
		20.525											
		20.526											
		Status:	Corrective action in progress										
		Corrective Action:	<p>It is the Department’s position that the parts in question identified in the audit are not capital assets and, therefore, the requirements cited in the audit finding do not apply to these parts.</p> <p>The parts in question have no utility to the state until they are installed on a larger assembly or depreciable asset, in this case one of the Department’s ferry vessels. Once installed, the parts cease to be discrete items and are part of the vessel. When an installed part meets the definition of a betterment as defined in Chapter 30 of the State Administrative and Accounting Manual, it is capitalized and depreciated as part of the vessel. If the part does not meet the definition of a betterment, it is expensed when purchased.</p> <p>The Department recognizes the importance of safeguarding and accounting for these parts properly through their installation on one of the vessels. In the ordinary course of business, purchased parts are delivered to the warehouse and are almost immediately transferred to the vessel. Occasionally, a vessel’s scheduled maintenance will be delayed due to operational needs which necessitates the parts be stored in the warehouse.</p> <p>As of May 2019, the Department convened a work group consisting of subject matter experts over all aspects of capital assets. The work group addressed the audit recommendation and implemented a process to track these parts through the Department’s inventory management system, Minor Cap, until such time that they are installed on the larger assembly or depreciable asset, such as a ferry vessel. This will provide the recommended tracking of the items until installed.</p> <p>The Department is working with the Department of Enterprises Services and the Office of Financial Management to determine if prior approval had been granted to use this alternative capitalized asset inventory management system, and if not, obtain the necessary approval.</p> <p>The Department looks forward to working with the State Auditor’s Office during the next audit to resolve any remaining items reported in this finding.</p>										

**Department of Transportation****Agency 405**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2018	015 (cont'd)	Completion Date: Estimated September 2019  Agency Contact: Steve McKerney Internal Audit Director PO Box 47320 Olympia, WA 98504-7320 (360) 705-7004 <a href="mailto:McKernS@wsdot.wa.gov">McKernS@wsdot.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2018	016	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Ecology did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Capitalization Grants for Clean Water State Revolving Funds program received required audits and management decisions on audit findings were issued in a timely manner.</p> <p><u>CFDA #</u> 66.458</p> <p><u>Amount</u> \$0</p> <p>Corrective action in progress</p> <p>In response to the audit recommendations, the Department updated agency policy on subrecipient monitoring. A new policy has also been developed to formalize program responsibilities for corrective actions and audit resolution.</p> <p>Additionally, the Department developed procedures on managing subawards to ensure federal compliance, which include:</p> <ul style="list-style-type: none"> <li>• Requiring subrecipients to return postcards to indicate if they are subject to audit requirement.</li> <li>• Assigning dedicated staff to maintain the tracking spreadsheet used to monitor subrecipient audit activities.</li> <li>• Establishing a communication protocol to notify programs when subrecipients receive audit findings, and the required follow-up actions. Increasing oversight of subrecipients who are not meeting Department requirements. The Department may apply sanction for continued non-compliance.</li> </ul> <p>The Department is also developing policies, procedures and a checklist for programs to clarify their roles and responsibilities related to follow-up of audit items.</p> <p>Estimated July 2019</p> <p>Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 <a href="mailto:Janis.Henry@ecy.wa.gov">Janis.Henry@ecy.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	017	Finding:	The Department of Ecology did not have adequate internal controls over and did not comply with reporting requirements for the Capitalization Grants for Clean Water State Revolving Funds program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>66.458</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	66.458	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		66.458	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The finding resulted from conflicting guidance provided by the regional office of the Environmental Protection Agency (EPA) and the guidance the auditor received from EPA’s Office of Inspector General.</p> <p>The Department requested clarification and guidance from the EPA on how to properly report federal equivalency expenditures on the quarterly financial reports and the schedule of expenditures of federal awards (SEFA).</p> <p>In June 2019, EPA provided the following official guidance for reporting equivalency projects:</p> <ul style="list-style-type: none"><li>• The SEFA should report funds disbursed to the Equivalency projects regardless of funding.</li><li>• The quarterly reports should report actual draws from the Capitalization grants.</li><li>• The quarterly reports should not be used for the SEFA.</li></ul> <p>The Department has since updated tracking spreadsheets to capture all funds disbursed for equivalency projects.</p> <p>The Department is currently working with the federal grantor to implement appropriate procedures related to the financial reporting of equivalency projects in accordance with the guidance received.</p>				
		Completion Date:	Estimated July 2019				
		Agency Contact:	Janis Henry Senior Financial Advisor PO Box 47615 Olympia, WA 98504-7615 (360) 407-6386 <a href="mailto:Janis.Henry@ecy.wa.gov">Janis.Henry@ecy.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	018	Finding:	The Department of Services for the Blind did not have adequate internal controls over federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable time period.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action complete				
Corrective Action:	<p>The Department has addressed prior audit findings and has implemented corrective actions to ensure client eligibility determination is completed timely and adequate supporting documentation is maintained when a delay is necessary. Specifically, the Department:</p> <ul style="list-style-type: none"><li>• Implemented the Dashboard in the case management system for Case Managers to manage their caseloads on a real-time basis.</li><li>• Implemented a process to identify eligibility determinations nearing the 60-day deadline for the upcoming week and to remind counselors of the required components for documenting a delay justification if a determination is not expected to be made within the 60-day timeframe.</li><li>• Required Counselors to document exceptional and unforeseen circumstances, and support extensions of specific period of time with a client agreement.</li><li>• Provided training to counselors on the effective use of the Dashboard feature. Area Managers perform weekly monitoring of the use of the tool.</li></ul> <p>The Department continues to improve internal controls by ongoing coaching and monitoring. As a result, the number of delayed eligibility determinations has been declining. For fiscal year 2018, three percent of eligibility determinations were delayed, compared to the respective 8.3 percent and 12.5 percent in the previous two years. Additionally, a significant number of the past due cases were delayed by only one to three days, which was often found to be caused by errors in calculating due dates.</p> <p>As of February 2019, the Department:</p> <ul style="list-style-type: none"><li>• Provided additional training to staff about eligibility requirements and how to accurately calculate the due dates of eligibility determinations.</li><li>• Defined the criteria for exceptional and unforeseen circumstances and how to document the circumstances. This guidance was added to the Department’s procedure manual and was included in the staff training.</li><li>• Implemented a new case management system that will help to strengthen the process for review and documentation by supervisors.</li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-007 and 2016-009.</p>						

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	018 (cont'd)	<p>Completion Date: June 2019</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	019	Finding:	The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In response to prior year’s audit finding, the Department had implemented corrective actions to improve internal controls over the federal reporting process. However, the Department continues to experience staff turnover in the positions that create and review the program cost reports.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"><li>• Assist with an organizational plan for the fiscal unit.</li><li>• Strengthen internal controls over the federal reporting process, including a secondary review.</li></ul> <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-010.</p>				
		Completion Date:	Estimated December 2019				
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	020	Finding:	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and timely for the Vocational Rehabilitation program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In response to prior year’s audit finding, the Department implemented corrective actions to improve internal controls over cash management. However, the Department continues to experience staff turnover in the positions that perform federal draws.</p> <p>As of December 2018, the Department hired a consultant to:</p> <ul style="list-style-type: none"><li>Assist with an organizational plan for the fiscal unit.</li><li>Strengthen internal controls over the federal draw process to include a secondary review.</li></ul> <p>The Department anticipates that the organizational plan and hiring of required staff will be completed by December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2017-008.</p>				
		Completion Date:	Estimated December 2019				
Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	021	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to determine client eligibility for the Vocational Rehabilitation program within a reasonable period of time.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$0						
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with eligibility timelines and required procedures.</p> <p>As of April 2019, the Department implemented the following procedures:</p> <ul style="list-style-type: none"><li>• The Fiscal Compliance Manager conducts six- month review of eligibility extensions to identify cases that do not conform to policy and documentation requirements. These cases are sent to the respective supervisors for follow-up.</li><li>• Supervisors’ monthly case reviews now include mandatory follow-up activities to ensure reviews are effective and properly documented.</li><li>• Rehabilitation Technicians review cases coming due within 30 days for eligibility determination and alert counselors of upcoming due dates.</li><li>• Supervisors complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed.</li></ul> <p>As of June 2019, the Department:</p> <ul style="list-style-type: none"><li>• Revised the eligibility extension letter to include a mandatory field for the extension end date.</li><li>• Amended eligibility extension procedures to require follow-up with clients when extension letters are not returned.</li></ul> <p>By August 2019, the Department will:</p> <ul style="list-style-type: none"><li>• Enhance the case management report to identify eligibility extension dates and determination completion dates.</li><li>• Provide training to staff on updated procedural guidance that will clearly define “exceptional and unforeseen circumstances.”</li></ul> <p>By September 2019, the Department will update the eligibility extension process in the case management system to auto-generate:</p> <ul style="list-style-type: none"><li>• Case narratives</li><li>• Client letters</li><li>• Completion dates</li></ul>				

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	021 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2017-013 and 2016-012.</p> <p>Completion Date: Estimated September 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	022	Finding:	The Department of Social and Health Services did not have adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with timelines and required procedures.</p> <p>As of April 2019, the Department implemented the following procedures:</p> <ul style="list-style-type: none"><li>• The Fiscal Compliance Manager conducts a six-month review of individual plans of employment (IPE) to identify cases that do not conform to policy and documentation requirements. These cases are sent to the respective supervisors for follow-up.</li><li>• Supervisors correct any IPE that does not conform to policy and documentation requirements.</li><li>• Rehabilitation Technicians review IPEs coming due within 30 days and alert counselors of upcoming due dates.</li><li>• Supervisors complete an on-line coaching tool monthly with Rehabilitation Technicians, as needed.</li></ul> <p>As of May 2019, the Department revised the eligibility determination letter to include an appointment date with the client to begin the IPE process.</p> <p>As of June 2019, the Department amended procedures to require counselors to follow-up with clients when IPE extension letters are not returned, and to ensure both counselor and client properly approve the completed IPE.</p> <p>By August 2019, the Department will provide training to field staff on the new procedures.</p> <p>The conditions noted in this finding were previously reported in findings 2017-012 and 2016-011.</p>				
Completion Date:	Estimated August 2019						
Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>						

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Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	023	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$10,553</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$10,553
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$10,553						
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department will establish additional procedural guidance aimed at ensuring full compliance with federal requirements. In addition, the Department will enhance management reports and coaching tools to support supervisory oversight and monitoring of compliance with allowable uses of program funds.</p> <p>As of March 2019, the Department issued a directive requiring case records to be reviewed prior to authorization of services. Staff perform reviews to ensure:</p> <ul style="list-style-type: none"><li>• Services are properly documented in the individual plan for employment (IPE).</li><li>• The IPE has been approved by the counselor and client.</li><li>• Case actions are appropriately referred to the supervisor if necessary.</li></ul> <p>As of May 2019, the Department:</p> <ul style="list-style-type: none"><li>• Updated procedures to clarify that payments for any authorized services on an IPE cannot be made until the IPE is properly signed by client.</li><li>• Created detailed procedures for supervisors to conduct monthly review of payments.</li><li>• Enhanced the case management system’s preventative controls to only allow authorizations of services that are included on the IPEs. If an emergency, non-authorized service is needed, supervisory approval is required to proceed.</li><li>• Consulted with the grantor to determine whether any questioned costs need to be repaid.</li></ul> <p>By July 2019, the Department will review all service category requirements from the Department of Education and identify process improvements.</p> <p>The conditions noted in this finding were previously reported in findings 2017-014 and 2016-013.</p>				

Department of Social and Health Services

Agency 300

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	023 (cont'd)	<p>Completion Date: Estimated July 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	024	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure its federal financial reports for the Vocational Rehabilitation grant were accurately prepared.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>As of September 2018, the Department established written procedures to require secondary reviews of the Federal Financial Report (SF-425).</p> <p>As of April 2019, the Department established written procedures to require secondary reviews of the Program Cost Report (RSA-2).</p> <p>The Finance and Budget Manager reviews completed reports for accuracy. The Department continues to strengthen internal controls over reporting to ensure program reports are complete and accurate.</p>				
		Completion Date:	In progress				
Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>						

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	025	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.243</td><td>\$0</td></tr><tr><td>93.959</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.243	\$0	93.959	
		<u>CFDA #</u>	<u>Amount</u>						
		93.243	\$0						
		93.959							
		Status:	Corrective action in progress						
Corrective Action:	<p>As of July 1, 2018, the Behavioral Health Administration’s Division of Behavioral Health and Recovery was transferred from the Department to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Block Grants for Prevention and Treatment of Substance Abuse and Substance Abuse and Mental Health Services Projects of Regional and National Significance.</p> <p>To address the audit recommendations, the Authority will:</p> <ul style="list-style-type: none"><li>• Evaluate the existing process in monitoring subrecipient audits and identify potential improvements.</li><li>• Assess and update policies and procedures related to subrecipient monitoring.</li><li>• Strengthen internal controls to ensure:<ul style="list-style-type: none"><li>○ Subrecipients submit required audits.</li><li>○ Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.</li><li>○ All audit findings and corrective action plans are tracked and management decisions are issued promptly.</li></ul></li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-016, 2016-014, 2015-016, and 2014-019.</p>								
Completion Date:	Estimated October 2019								
Agency Contact:	Keri Kelley External Audit Compliance Manager State Health Care Authority P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	026	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$2,252</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$2,252
		<u>CFDA #</u>	<u>Amount</u>				
		93.558	\$2,252				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Departments works with the Department of Children, Youth, and Families (DCYF) to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable. DCYF policy requires providers receiving subsidy payments to maintain attendance records and provide them upon request. However, because attendance records are paper-based, it is not feasible for staff to request, review and reconcile all records before subsidy payments are made.</p> <p>In response to prior findings, the Department has implemented internal controls including:</p> <ul style="list-style-type: none"><li>• Third-party reviews through the establishment of the Process Review Panel (PRP) to review and evaluate audit findings, explore options and recommend appropriate corrective actions.</li><li>• Pre-authorization reviews on high-risk and/or high cost cases based on trend analysis discovered during the PRP.</li></ul> <p>As of December 2018, DCYF requires all licensed providers who accept subsidy payments to use DCYF’s electronic attendance system or an approved third party system to track attendance. DCYF’s system enables accurate, real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage. DCYF has since expanded the requirement to all families, friends and neighbor providers..</p> <p>Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF. The Department will continue to conduct post-payment reviews where improper payments appear likely to have occurred, or refer to DCYF for review.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-017 and 2016-019.</p>				

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	026 (cont'd)	<p>Completion Date: In progress</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	027	Finding:	The Department of Social and Health Services did not have adequate internal controls over maintenance of effort requirements for the Temporary Assistance for Needy Families grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.558	\$0				
		Status:	Corrective action in progress				
Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>In response to prior years’ findings, the Department has taken actions to improve internal controls over the maintenance of effort (MOE) process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>As of February 2017, the Department developed manuals that outline the collaborative report preparation procedures among the Community Services Division, the Research and Data Analysis Division (RDA) and the Division of Finance and Financial Recovery.</p> <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"><li>• Hosted weekly workgroup meetings to review and update existing policies, procedures and manuals as necessary. The workgroup also focuses on improving the Department’s ability to forecast and monitor the level of TANF program’s MOE expenditures throughout the year.</li><li>• Implemented a quarterly monitoring and reporting schedule for all MOE sources throughout the federal fiscal year to ensure MOE reported expenditures are allowable and accurate.</li><li>• Established a process for reviewing future budgets on programs subject to MOE requirements:<ul style="list-style-type: none"><li>○ Perform trend analysis by comparing budget data to previous years to ensure there is no significant fluctuations.</li><li>○ Obtain written confirmation from partnering sources at the beginning of the federal fiscal year that program operations and expenditure levels will be similar to the previous year.</li><li>○ Review TANF MOE reports and monitor departmental expenditures on a quarterly basis to ensure MOE requirements will be met.</li></ul></li></ul> <p>The Department’s RDA Division is also taking actions to improve internal controls for ensuring the TANF quarterly reports are accurate and complete. By September 2019, the Division will:</p> <ul style="list-style-type: none"><li>• Track which employees making coding changes.</li><li>• Require supervisors review coding changes and document these reviews.</li></ul>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	027 (cont'd)	<ul style="list-style-type: none"><li>• Add a section in the TANF MOE manual outlining the roles and responsibilities of employees who make coding changes and for management who review these changes.</li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-019, 2016-017 and 2015-020.</p> <p>Completion Date: In progress</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	028	Finding:	The Department of Social and Health Services did not have adequate internal controls in place to ensure quarterly reports for the Temporary Assistance for Needy Families Grant were submitted accurately.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.558	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department currently processes in place to ensure the accuracy and completeness of quarterly reports for the Temporary Assistance for Needy Families Grant (TANF). Specifically, the Department:</p> <ul style="list-style-type: none"><li>• Maintains extensive documentation on algorithms for deriving the items in the federal transmission, including specifications on tables and codes in the Automated Client Eligibility System and the Social Service Payment System, and how Statistical Analysis System processes use this data to comply with reporting requirements.</li><li>• Runs a quality assurance process for each report that identifies potential fatal and warning edits, the results of which are reviewed by the Supervisor.</li></ul> <p>The Department has documented the quarterly reporting processes in detail, and continues to extend and update documentation, written policies and procedures for this complex reporting process.</p> <p>While the Department may benefit from a more formal process, the review of both code and results is extensive and the process includes monthly dissemination of summary data to multiple partners for review and validation. The established process ensures quarterly reports required for meeting participation rates are accurate, complete and submitted timely.</p> <p>The Department believes that the controls for change requests, coding updates and the approval processes are adequate.</p> <p>As of October 2018, the Department began manual monitoring, reviewing, and testing of coding changes to ensure they were applied correctly. While no version control software was used, Department staff maintained copies of all old code versions using filename conventions.</p> <p>By November 2019, the Department will update documentation to reflect automation enhancements to existing data set generation and reporting processes.</p> <p>By January 2020, the Department will</p> <ul style="list-style-type: none"><li>• Implement the use of technical assessment forms and security review forms.</li></ul>				

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	028 (cont'd)	<ul style="list-style-type: none"><li>• Conduct peer reviews and document results, testing, logging and approval prior to moving code changes into the production environment.</li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-020 and 2016-016.</p> <p>Completion Date: Estimated January 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2018	029	Finding:	The Department of Social and Health Services did not have adequate internal controls in place for submitting quarterly and annual reports for the Temporary Assistance for Needy Families grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						
		Status:	Corrective action not taken				
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>In response to prior years’ findings, the Department has taken actions to improve internal controls over the reporting process for the Temporary Assistance for Needy Families (TANF) grant.</p> <p>As of March 2018, prior to the end of the audit period, the Department fully implemented the following process changes:</p> <ul style="list-style-type: none"><li>• Hosted weekly workgroup meetings to review and update existing policies and procedures as necessary to strengthen internal control.</li><li>• Implemented a quarterly monitoring and reporting schedule for all maintenance of effort (MOE) sources to ensure reported expenditures are allowable, accurate and submitted in a timely manner.</li><li>• Established a process for reviewing future budgets on programs subject to MOE requirements:<ul style="list-style-type: none"><li>○ Perform trend analysis by comparing budget data to previous years to ensure there is no significant fluctuations.</li><li>○ Obtain written confirmation from partnering sources at the beginning of the federal fiscal year that program operations and expenditure levels will be similar to the previous year.</li><li>○ Review TANF MOE reports and monitor departmental expenditures on a quarterly basis to ensure MOE requirements will be met.</li></ul></li></ul> <p>Additionally, the Department:</p> <ul style="list-style-type: none"><li>• Reviews all reported expenditures to ensure they are accurate, verifiable, and not used for other federal matching purposes,</li><li>• Maintains all supporting documentation locally and electronically for the reports submitted to the federal grantor.</li></ul> <p>The Department maintains that current processes and procedures are adequate to ensure expenditures are verifiable and meet federal regulations.</p> <p>The conditions noted in this finding were previously reported in findings 2017-021, 2016-018, and 2015-021.</p>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2018	029 (cont'd)	<p data-bbox="483 426 831 485">Completion Date: Not applicable</p> <p data-bbox="483 520 1068 699">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	030	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$37,959</td></tr><tr><td>93.575</td><td></td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$37,959	93.575		93.596	
		<u>CFDA #</u>	<u>Amount</u>								
		93.558	\$37,959								
		93.575									
93.596											
Status:	Corrective action in progress										
Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The exceptions identified by the auditor results from minor procedural errors or incorrect calculations that did not have an effect on the eligibility determinations. While some of these errors caused payment errors, the clients were eligible.</p> <p>In response to the fiscal years 2016 and 2017 findings, the Department has enacted major changes to improve internal controls over eligibility determination. Many of these changes were implemented during fiscal year 2018, while some were implemented at the beginning of fiscal year 2019.</p> <p>The Department of Children, Youth, and Families (DCYF), formerly the Department of Early Learning, established child care program policies. DCYF policy does not require secondary review or approval when determining eligibility, or authorizing benefits and payments. Beginning July 1, 2019, the Department will transfer responsibility for administering all aspects of client eligibility determination and child care provider payment to DCYF under the Child Care Development Fund.</p> <p>The Department has continued to employ the following controls to ensure child care subsidy payment authorizations are made correctly:</p> <ul style="list-style-type: none"><li>• Require a supervisory review of payment requests that exceed certain parameters. The supervisor reviews the justifications for the need of additional payment and will deny the payment if the client is not eligible. A monthly report is generated and supervisor checks for any authorization that appears to have been approved without the required secondary review.</li><li>• For authorizations with high cost special needs rates, a panel consisting of DSHS and DCYF staff review the request and supporting documentation prior to approval. The authorization is subsequently reviewed by a supervisor prior to payment.</li><li>• Require one hundred percent of new employees’ work be audited by a lead worker until they achieve proficiency. These reviews may be conducted before or after authorization.</li><li>• Requires at least one percent of child care cases be audited monthly.</li></ul>										



Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	030 (cont'd)	<ul style="list-style-type: none"> <li>Participate in the Improper Payments Information Act audit required by the Federal Office of Child Care and conducted by the DCYF once every three years.</li> </ul> <p>As of August 2017, the Department:</p> <ul style="list-style-type: none"> <li>Implemented enhancements in the Barcode system to automatically generate a sixty-day reminder letter requesting income verification of new employment.</li> <li>Created a 9-code avoidance report that identifies cases that may require supervisory approval. These cases are reviewed and returned to the employee for coaching and corrective action.</li> </ul> <p>As of February 2018, the Department implemented a child care process review panel within the Department's Division of Program Integrity. A child care quality team reviews cases, verifies circumstances and determines whether each sampled case has been correctly determined in accordance with state policy and procedure.</p> <p>As of March 2018, the Department:</p> <ul style="list-style-type: none"> <li>Completed enhancements to the Barcode system to automatically flag cases when the household composition for child care is different than information entered in other state systems. Procedures were also updated to require comparison of household composition data reported for childcare against those reported for other programs when determining eligibility.</li> <li>Updated appropriate state rules, procedures and trainings to strengthen: <ul style="list-style-type: none"> <li>Household composition rules including a new policy for single parent households.</li> <li>Mandatory cross-matching with other state systems.</li> <li>Required documentation for new employment wage verification.</li> </ul> </li> </ul> <p>In preparation for the transfer of the child care program to DCYF, the Department has been collaborating with DCYF to update policies and procedures, and develop system enhancements to correct deficiencies and improve internal controls. As of October 2018, the Department:</p> <ul style="list-style-type: none"> <li>Updated a combined policy manual which is accessible on the DCYF website to ensure consistent guidance is provided to staff.</li> <li>Established an integrity review process for eligibility determinations that are made by a worker who was not assigned to the case through the automated workload assignment system.</li> <li>Worked with DCYF to ensure family, friends, and neighbors providers receive DCYF's full portable background checks and are approved by DCYF as providers. Upon approval of a background check, DCYF assigns a vendor number, which together with the</li> </ul>

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	030 (cont'd)	<p>provider's eligibility information, is communicated to the Department for creating an authorization.</p> <p>As of January 2019, the Department and DCFY developed a policy that provides guidance on viewing documents/information for relative validity, and on the process of prioritizing the best information to obtain first to ensure determinations are supported.</p> <p>As of May 2019, the Department reviewed the fiscal year 2018 audit exceptions, established and referred the appropriate overpayments to the Office of Financial Recovery for collection.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the grantor and take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2017-026, 2016-023, 2015-026, 2014-026, 2013-017 and 12-30.</p> <p>Completion Date: In progress</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	031	Finding:	The Department of Social and Health Services improperly charged payroll costs to the Child Support Enforcement Grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.563</td><td>\$29,733</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.563	\$29,733
		<u>CFDA #</u>	<u>Amount</u>				
		93.563	\$29,733				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department does not concur that some timesheets were not processed. The timesheets in question were for employees whose time was spent processing negotiables for another Administration. For this work, the Department bills the other Administration for the work performed and records the revenue as a reduction to expenditures for the grant.</p> <p>The Department also does not concur with the auditor’s determination of \$29,733 questioned costs on this finding. The Department discovered a calculation error on the questioned costs cited in the fiscal year 2017 finding during the process of closing the prior finding with the cognizant federal agency. This discovery prompted the Department to review the auditors’ testing and calculation of questioned costs in the fiscal year 2018 finding. Based on the review, the Department believes that \$24,250 of the \$29,733 questioned costs were allowable costs. The Department calculated the actual questioned costs to be \$5,484.</p> <p>To address the audit recommendations, the Department has initiated actions to improve processes and controls.</p> <p>As of August 2018, the Department:</p> <ul style="list-style-type: none"><li>Created a new journal voucher template with correct formulas to perform calculations and allocate the payroll costs from the grant to other activities associated with work by these employees.</li><li>Implemented a supervisory review process prior to processing journal vouchers.</li><li>Began the process of separating journal vouchers by funding source to reduce the complexity and volume of journal vouchers.</li></ul> <p>As of April 2019, the Department:</p> <ul style="list-style-type: none"><li>Reviewed current procedures for processing journal vouchers and strengthened controls as necessary to ensure they are all processed.</li><li>Corrected accounting records to reverse costs that were inappropriately charged to the Child Support Enforcement grant.</li></ul> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>				

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	031 (cont'd)	<p>The conditions noted in this finding were previously reported in finding 2017-023.</p> <p>Completion Date: April 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	032	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with requirements to monitor subrecipients of the Low-Income Home Energy Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.568</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.568	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		97.568	\$0				
		Status:	Corrective action in progress				
Corrective Action:	The Department concurs with the finding.						
	The Low-Income Home Energy Assistance program (LIHEAP) contracted with 26 subrecipients. These agencies are required to enter payment data for each client that receives a LIHEAP benefit into a centralized database. The Department uses this information to select transactions for onsite and desk monitoring.						
	In response to the audit recommendations, the Department has strengthened internal controls over monitoring activities of subrecipients to ensure subawards from LIHEAP are used for authorized purposes. The following changes were incorporated in the current contract monitoring process: <ul style="list-style-type: none"><li>Increased the threshold for onsite and desk monitoring review from one to three months of fiscal transactions</li><li>Requested general ledger and back up documentation for each selected transaction to verify allowability of costs.</li></ul>						
		As of January 2019, the program reviewed and formally updated the program monitoring plan to reflect the new processes of subrecipient monitoring.					
		As of June 2019, the program: <ul style="list-style-type: none"><li>Worked with the Department’s Energy Division, which also makes subawards of LIHEAP funds, to coordinate and increase efforts around fiscal and administrative monitoring. When opportunities exist, program staff will attend trainings hosted by the Energy Division on subrecipient monitoring.</li><li>Performed analytical reviews of each subrecipient’s spending trends over a five-year period to help identify the highest three months of spending. With the collaboration of the Information Services Division, program staff created a report that identifies the months that should be included for fiscal transaction reviews. Subrecipients are then required to submit backup documentation for each expense incurred for those months.</li></ul>					
		The Department will also require subrecipients to submit back up documentation for invoices during the program year. This new requirement will be included in the special terms and conditions of the					

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	032 (cont'd)	<p data-bbox="673 424 1421 514">new contracts, which will be effective October 1, 2019. Technical assistance and training on this requirement will be provided to subrecipients during the Department's conference in September 2019.</p> <p data-bbox="673 550 1458 674">By providing staff training, leveraging Department resources to increase monitoring and utilizing a data-driven approach to identify high-risk transactions, the Department will enhance the detection of unallowable or unsupported costs at the subrecipient level.</p> <p data-bbox="487 709 958 766">Completion Date: Estimated December 2019</p> <p data-bbox="487 802 1156 991">Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO BOX 42525 Olympia, WA 98504-2525 (360) 725-4030 <a href="mailto:Shanna-mae.cullen-oden@commerce.wa.gov">Shanna-mae.cullen-oden@commerce.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	033	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$9,544,526</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$9,544,526	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$9,544,526						
		93.596							
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>During the six-month period in which the auditor found semi-annual certifications were not completed, the Department’s immediate priority was to transition from the former Department of Early Learning (DEL) by the June 2018 deadline. Due to insufficient available resources, responsible staff were not able to complete the semi-annual certifications timely as required by Department policy.</p> <p>The Department concurs with the exceptions identified by the auditor that semi-annual certifications or timesheets were not completed for five employees to allocate their time as required. As of March 2018, the Department made retroactive adjustments to the payroll coding of affected employees to appropriately charge multiple cost activities. The employees were also reminded of the need to complete monthly timesheets as required by federal regulations.</p> <p>As of September 2018, the Department completed the semi-annual certifications for the second half of fiscal year 2018 for DEL and provided the information to the auditor as part of the program audit.</p> <p>While the Department concurs that semi-annual certifications, documentation, or timesheets were not completed as described in the finding, the cause of the issue was an isolated, exceptional circumstance that no longer presents an internal control issue going forward.</p> <p>The Department will:</p> <ul style="list-style-type: none"><li>• Implement preventative internal controls over allowable retroactive adjustments to ensure payroll charges are properly documented.</li><li>• Continue to review position action requests and monthly payroll reports to ensure employees who charge to multiple cost activities complete timesheets as required.</li></ul> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>						
		Completion Date:	Estimated September 2019						

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	033 (cont'd)	Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	034	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and was not compliant with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$5,894</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$5,894	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$5,894						
		93.596							
Status:	Corrective action in progress								
Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The auditor found eight providers had not paid the correct rates based on their region. After further review, the Department confirmed the rates were correctly determined. As specified in state regulations, centers in four counties are assigned rates for a region not based on their geographic location in order to account for market differences in these counties. However, due to timing of the audit, the auditor was unable to reverse these exceptions.</p> <p>In response to prior audit findings, the Department had:</p> <ul style="list-style-type: none"><li>Modified the Child Care and Development Fund Plan to align with federal and state regulations for fiscal years 2019 to 2021.</li><li>Improved internal controls and implemented preventative controls to assist in the detection of improper provider billings and reduce the risks of unallowable payments.</li><li>Implemented policies to include the Department’s definition of fraud, as well as the consequences for providers.</li><li>Initiated a risk-based approach to audit providers’ billings and payments that includes selecting providers’ billings in excess of licensed capacity and billings to the limit of the provider’s authorizations. The Department will continue to refine this approach.</li><li>Collaborated across agencies and divisions, through the Working Connection Child Care Reframe Workgroup and the Child Care Audit Committee, to align and clarify state rules and requirements with those of the Child Care and Development Block Grant Act.</li></ul> <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"><li>As of October 2018, implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be providers. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to the Department of Social and Health Services to create an authorization. This separation of duties strengthens internal controls and helps to reduce payment errors. By September 2019, the Department expects</li></ul>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	034 (cont'd)	<p>all existing FFN providers to complete the transition to the PBC process.</p> <ul style="list-style-type: none"> <li>• As of November 2018, implemented a process that allows subsidy auditors to provide technical assistance to providers who have been using incorrect billing practices. After the Department implements new program violation rules in July 2019, providers with repeat violations will be excluded from receiving child care subsidy payment.</li> <li>• As of December 2018, required all licensed providers who accept subsidy to use the Department's electronic attendance system or an approved third party system to track attendance. In addition, new FFN providers are required to use the Department's new electronic system within 90 days after being authorized to receive subsidy payment. The Department's system: <ul style="list-style-type: none"> <li>○ Enables accurate, real-time recording of child care attendance, tracking of daily attendance, and capturing data on child care usage.</li> <li>○ Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities.</li> <li>○ Is capable of generating reports that allow the Department to conduct automated audits beginning in April 2019.</li> </ul> </li> </ul> <p>By November 2019, all FFN providers will be required to use the system, or an approved third party system for tracking attendance.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"> <li>• Continue to improve the billing guides to help providers understand billing rules, authorization and the billing process. The billing guides will be available in April 2019. Prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union, the Department will update training curriculum. After the tentative agreement expires in 2021, training will become mandatory for all licensed homes and FFN providers.</li> <li>• Continue to research options for simplifying authorization and billing rules.</li> <li>• Develop rules defining provider program violations and establishing additional consequences for intentional violations.</li> </ul> <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in finding 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p>

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	034 (cont'd)	<p data-bbox="487 426 893 483">Completion Date: Estimated June 2021</p> <p data-bbox="487 520 1003 705">Agency Contact: Stefanie Niemela Audit Liaison P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	035	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$1,678</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,678	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$1,678						
		93.596							
Status:	Corrective action in progress								
Corrective Action:	<p>The Department concurs with the finding.</p> <p>In response to prior audit findings, the Department:</p> <ul style="list-style-type: none"><li>Implemented new monitoring and compliance agreement policies and procedures to clarify:<ul style="list-style-type: none"><li>Mandatory use of a full checklist every three years.</li><li>When a site visit is needed.</li><li>Acceptable methods of verifying compliance and the timelines for documentation.</li></ul></li><li>Implemented a new electronic caseload management system, WA COMPASS, and provided training to licensing staff in using the system to manage licensing inspections and monitor visits. The system provides electronic reminders to licensing staff and supervisors, which has improved data integrity and streamlined staff work processes.</li><li>Provided training to all child care licensing staff regarding the new policies and procedures, including the 10-day health and safety recheck requirements and timely documentation of follow-up visits. Currently, supervisors are able to run a report to identify over-due cases and address concerns with licensing staff.</li></ul> <p>As of January 2019, the Department also clarified and implemented a policy revision to allow for “termination without notice” of a provider when an unsafe environment exists or when the provider becomes ineligible. The Department of Social and Health Services (DSHS) has already provided updated training to its staff on the revised Department policies. The Department is working on updating the Washington Administrative Code (WAC) language to be consistent with the policy revision.</p> <p>As of October 2018, the Department implemented new rules requiring new family, friends and neighbors (FFN) providers to receive a full portable background check (PBC) when applying to be a provider. Upon approval, the Department assigns a vendor number which, together with the provider’s eligibility information, is communicated to DSHS to create an authorization.</p> <p>By September 2019, the Department expects all existing FFN providers to complete the transition to the PBC process.</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	035 (cont'd)	<p>The Department will:</p> <ul style="list-style-type: none"> <li>Continue to work on enhancements to the electronic caseload system for tracking and monitoring the due dates of health and safety rechecks.</li> <li>Continue to prepare for the implementation of the new WAC on Family Home and Child Care Center in response to the demands of the legislature and the needs of the provider community. The new WAC is expected to become effective in August 2019. In preparation, the Department will: <ul style="list-style-type: none"> <li>Ensure all child care licensing staff are completing mandatory training on the updated WAC components and resulting policy, procedure, and task changes.</li> <li>Develop new checklists to enable more focused monitoring.</li> <li>Develop an inspection report that can clearly delineate the high-risk areas that would require follow-up visits.</li> <li>Continue to revise licensing policies, procedures and tasks as needed to align with current state and federal rules and regulations.</li> </ul> </li> </ul> <p>The Department consults with the U.S. Department of Health and Human Services on audit findings. The audit resolution process includes conducting a case-by-case review and providing additional documentation as requested by the federal grantor when questioned costs are identified.</p> <p>The conditions noted in this finding were previously reported in finding 2017-025, 2016-022, and 2015-024.</p> <p>Completion Date: Estimated October 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status							
2018	036	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to detect fraud in the Child Care and Development Fund program.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$0</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$0						
		93.596							
		Status:	Corrective action complete						
		Corrective Action:	<p>The Department concurs with the audit finding.</p> <p>In response to prior audit recommendations, the Department took steps to include child care dollars as a risk factor in determining the priority of fraud referral investigations.</p> <p>In December 2017, the Department convened a workgroup to modify the Fraud Early Detection program (FRED) algorithm to address child care cases while not adversely affecting other medical programs that also use the FRED algorithm.</p> <p>In February 2018, the Office of Fraud and Accountability’s (OFA) Senior Director issued a directive to managers that all cases rated as 1 or 2 should be assigned for investigations within 90 days after referral.</p> <p>As of April 2018, an algorithm was implemented in the Barcode system to include child care benefit payments and household composition. This enhancement increases the assigned point values in child care cases, resulting in a higher priority level for investigation.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"><li>• Maintain a goal of completing as many of the fraud cases with highest risk as staffing and workload allows.</li><li>• Monitor the monthly status of all FRED cases by OFA managers to ensure high priority cases are assigned timely.</li><li>• Review monthly performance measurement reports.</li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-027, 2016-020 and 2015-025.</p>						
		Completion Date:	April 2018						
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u>Richard.Meyer@dshs.wa.gov</u></p>						

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Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	037	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.658	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department will revise its reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and demonstration project.</p> <p>As of July 1, 2018, the Legislature created a new state agency that combined the Department’s Children’s Administration and the Department of Early Learning. The new agency is called the Department of Children, Youth and Families (DCYF) and is now responsible for managing the Foster Care program.</p> <p>DCYF has already assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes will track payments made for the demonstration project, which is scheduled to conclude in September 2019.</p> <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p>				
		Completion Date:	Estimated October 2019				
		Agency Contact:	Stefanie Niemela Audit Liaison Department of Children, Youth and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Status						
2018	038	<p data-bbox="483 422 1468 485">Finding: The Department of Social and Health Services improperly charged \$798,930 to the federal foster care grant.</p> <table border="0" data-bbox="483 516 1468 579"> <tr> <td data-bbox="483 516 613 543">Questioned Costs:</td><td data-bbox="672 516 764 543"><u>CFDA #</u></td><td data-bbox="1003 516 1096 543"><u>Amount</u></td></tr> <tr> <td></td><td data-bbox="672 548 748 575">93.658</td><td data-bbox="1003 548 1105 575">\$798,930</td></tr> </table> <p data-bbox="483 611 980 638">Status: Corrective action in progress</p> <p data-bbox="483 669 1468 942">Corrective Action: The Department partially concurs with the audit finding.  The auditors determined that \$797,740 of federal expenditures were not supported because this amount could not be reconciled between the Department's provider payment system (SSPS) and the State's accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p data-bbox="672 968 1240 995">In response to the audit findings, the Department has:</p> <ul data-bbox="691 1005 1468 1163" style="list-style-type: none"> <li>• Communicated with accounting field staff to emphasize the requirement of reviewing proper documentation when making invoice payments to vendors.</li> <li>• Informed providers of the requirement of providing adequate supporting documentation to align with the Department's internal procedure.</li> </ul> <p data-bbox="672 1188 1143 1215">In addition, the Department will continue to:</p> <ul data-bbox="691 1226 1468 1352" style="list-style-type: none"> <li>• Strengthen the review process to ensure services are authorized prior to making payments.</li> <li>• Provide training to accounting field staff to reinforce their understanding of the invoice payment process.</li> </ul> <p data-bbox="672 1377 1403 1440">The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p data-bbox="672 1465 1468 1583">As of July 1, 2018, the Legislature created a new state agency that combined the Children's Administration of the Department and the Department of Early Learning. The new agency is called the Department of Children, Youth, and Families and is now responsible for managing the Foster Care program.</p> <p data-bbox="672 1608 1435 1671">The conditions noted in this finding were previously reported in finding 2017-028.</p> <p data-bbox="483 1696 924 1759">Completion Date: Estimated August 2019</p> <p data-bbox="483 1785 1159 2003">Agency Contact: Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		93.658	\$798,930
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>						
	93.658	\$798,930						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	039	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with federal level of effort requirements for the Adoption Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.659</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.659	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.659	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>In response to prior audit findings, the Children’s Administration of the Department had improved internal controls and developed written policies and procedures to ensure the federal level of effort requirements are met for the Adoption Assistance program.</p> <p>As of July 1, 2018, the Legislature created the Department of Children, Youth, and Families (DCYF) by combining the Children’s Administration and the Department of Early Learning. The new agency assumed the responsibilities of managing the Adoption Assistance program.</p> <p>To address the audit recommendations, DCYF will implement appropriate corrective actions, which will include:</p> <ul style="list-style-type: none"><li>• Establishing written procedures for staff to identify and accurately report adoption savings expenditures.</li><li>• Reviewing quarterly reports to ensure reported expenditures are accurate and supported by adequate documentation.</li><li>• Providing training to staff on the policies and procedures.</li></ul> <p>The conditions noted in this finding were previously reported in findings 2017-030 and 2016-026.</p>				
		Completion Date:	Estimated September 2019				
		Agency Contact:	Stefanie Niemela Audit Liaison Department of Children, Youth, and Families P.O. Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	040	Finding:	The Department of Health did not have adequate internal controls to ensure it complied with survey requirements for Medicaid hospitals and home health agencies.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action complete								
Corrective Action:	<p>To ensure the Department complies with survey requirements, the Department will strengthen internal controls to ensure Statements of Deficiencies are sent to facilities within the 10-day required timeframe. This includes:</p> <ul style="list-style-type: none"><li>• Adding a field to the Integrated Licensing Reporting System to track the due dates of Statements of Deficiencies.</li><li>• Generating a report for management to monitor and notify staff on Statements of Deficiencies that are coming due.</li><li>• Sending written notification to the Centers for Medicare and Medicaid Services when a Statement of Deficiency is expected to be submitted late.</li></ul>										
Completion Date:	September 2019										
Agency Contact:	<p>Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u>Kristina.White@doh.wa.gov</u></p>										

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	041	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>This finding is based on a specific data exchange method which most insurance carriers have chosen not to participate in and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>The Authority has requested legislation that modifies the specific method and timing of data exchange with insurance carriers.</p> <p>In June 2018, the auditor submitted this finding to the appropriate committees of the legislature in accordance with the requirements of the amended RCW 43.09.312 when the auditor determines that the audited agency has not made substantial progress in remediating its noncompliance.</p> <p>The Authority anticipates the finding will be resolved through the legislation request and/or the decision of the legislative committees regarding resolution.</p> <p>The conditions noted in this finding were previously reported in findings 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19, and 08-25.</p>								
		Completion Date:	Estimated June 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	042	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
93.778											
Status:	Corrective action in progress										
Corrective Action:	<p>The Authority is aware of the current situation with provider revalidation and is closely monitoring with routine reports.</p> <p>The Authority has prioritized revalidation work, and is making progress towards revalidation compliance. Currently, the Authority is working on a long-term solution by developing an automated process that will conduct all necessary data matches. The new process is expected to significantly reduce the amount of manual effort required and ensure provider revalidation is performed timely. Until the new automated process is fully implemented, the Department conducts other activities to mitigate the risk of paying ineligible providers.</p> <p>The Authority also noted that federal regulations require providers to be re-categorized as high risk under very specific, limited circumstances. The Authority determined that there were approximately two dozen providers, out of 98,000, that met the specific criteria and required to be re-categorized as high risk. The Authority has implemented internal processes for divisions to notify the provider enrollment unit of any events related to provider overpayments, payment suspensions or new sanctions, which would trigger the need to adjust a provider’s risk level to high.</p> <p>As of December 2018, the Authority:</p> <ul style="list-style-type: none"><li>Completed the process of re-categorizing current high-risk providers.</li><li>Updated procedures to include the new process of adjusting risk level when a qualifying event occurs.</li></ul> <p>By November 2019, the Department will send notification of the revalidation requirement to all providers who enrolled with the Authority prior to March 31, 2014.</p> <p>By March 2020, the Authority will implement the new fingerprint requirement and will conduct fingerprint-based criminal background checks on the high risk providers identified under the re-categorization process.</p> <p>The conditions noted in this finding were previously reported in finding 2017-033.</p>										

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	042 (cont'd)	<p data-bbox="487 422 917 485">Completion Date: Estimated March 2020</p> <p data-bbox="487 516 1068 699">Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	043	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Service Verifications were performed for eligible nursing home claims.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>To address the audit recommendation, the Department has taken the following actions:</p> <ul style="list-style-type: none"><li>As of May 2017, Medical Service Verifications (MSVs) were expanded in ProviderOne to include social service claims.</li><li>As of November 2017, a Service Level Agreement was signed with the Department of Social and Health Services (DSHS). The agreement detailed the roles and responsibilities of the Authority and DSHS for processing and investigating leads from MSVs.</li></ul> <p>The Authority does not agree that the exclusion of nursing homes in the survey population is an indication of control deficiency. The Authority strategically excluded nursing homes in order to conduct targeted, risk-based verifications with high return rates. From a compliance standpoint, the Authority believes federal regulations allow flexibility for grantees to adopt a more effective approach.</p> <p>The Authority will continue to consult with the federal grantor to obtain clarification. As of March 2018, nursing homes are included in the universe of ProviderOne claims until definitive federal guidance is obtained.</p> <p>The conditions noted in this finding were previously reported in findings 2017-034, 2016-029, 2015-032, 2014-039, 13-031, 12-54, and 11-39.</p>								
		Completion Date:	March 2018								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	044	Finding:	The Health Care Authority did not have adequate internal controls to ensure its federal draws for the Medicaid Transformation Demonstration project were adequately supported.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Authority is aware of the staffing turnover in the Medicaid Transformation Demonstration (MTD) Project and is in the process of filling vacant positions. Additionally, the Authority will develop policies and procedures describing the roles and responsibilities of staff within the project.</p> <p>The Authority is working on improving internal controls to ensure its federal draws for the MTD project are allowable and adequately supported. By September 2019, the Authority will contract with an independent external auditor to review the Designated State Health Programs (DSHP) expenditure reporting for calendar years 2017 and 2018, and to validate the accuracy of federal claims.</p> <p>The Authority is also working on documenting defined administrative costs for DSHP. Once established, the Authority will be able to provide guidance to DSHP entities to ensure defined administrative costs are excluded from certified public expenditure reports.</p> <p>DSHP entities include state agencies, cities and county governments that use different financial payment systems to generate expenditure reports. Therefore, the Authority finds it challenging to require DSHP entities to provide supporting documentation in a consistent manner. The Authority will work with DSHP entities to ensure adequate and consistent supporting documentation is provided on certified public expenditure reports.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding establishing a process for program integrity as appropriate.</p>								
		Completion Date:	November 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	045	Finding:	The Health Care Authority claimed Medicaid federal funds for Medicaid expenditures that exceeded the two-year time limit.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$2,095,931</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$2,095,931	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$2,095,931								
		93.777									
		93.778									
		Status:	Corrective action in progress								
Corrective Action:	For the expenditures identified in this audit as outside the two-year claim period, the Authority will research to determine if they were in fact unallowable. When the Center for Medicaid and Medicare (CMS) sends award closeout data and initiates the closeout process, the Authority will make any needed adjustments and return the federal funds to CMS.										
	The Authority will continue to explore options to ensure refunds will be processed more timely to return claimed federal funds that are outside the allowable period.										
Completion Date:	Estimated September 2019										
Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>										

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	046	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority currently has the follow processes in place to verify that providers have not been suspended or debarred:</p> <ul style="list-style-type: none"><li>• Conducts reviews of the List of Excluded Individuals/Entities (LEIE) and Excluded Parties List System/System for Award Management (EPLS/SAM) database checks during new provider enrollment and provider re-validation.</li><li>• Conducts monthly LEIE database checks on Medicaid providers.</li><li>• Managed Care Organizations conduct LEIE and EPLS/SAM database checks on network providers under the Authority’s Apple Health contract.</li></ul> <p>The Authority is not currently conducting monthly checks with EPLS/SAM. The system only has the ability to search a single individual and there is a price associated with uploading more than one individual provider at a time. Due to the volume of providers and the resources it requires, it is not feasible for the Authority to conduct monthly EPLS/SAM checks on providers.</p> <p>Last year, the Authority was approved as a pilot state to utilize the U.S. Department of Treasury’s Do Not Pay database system, which will allow the Authority to upload the volume of providers into EPLS/SAM and conduct the required checks on a monthly basis. However, this process has since stalled on the federal side.</p> <p>The Authority is exploring other opportunities to meet compliance. Although the Authority is not currently conducting EPLS/SAM database checks at the frequency required, there were no improper payments identified.</p> <p>The conditions noted in this finding were previously reported in findings 2017-037.</p>								
		Completion Date:	Estimated December 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	047	Finding:	The Health Care Authority, Section of Program Integrity, Data Analytics and Review Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>To address the auditor’s recommendations, the Authority will take actions to improve internal controls over monitoring provider case reviews to ensure suspected fraud cases are appropriately referred for investigation.</p> <p>The Authority will review current policies and procedures and update as necessary to include:</p> <ul style="list-style-type: none"><li>• Conducting secondary reviews of audits and findings to ensure they are accurate and supported.</li><li>• Maintaining sufficient documentation to support case decisions.</li><li>• Providing necessary and adequate training to staff to ensure all requirements to identify and investigate suspected fraud cases are met.</li></ul>								
		Completion Date:	Estimated October 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	048	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$4,145</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$4,145	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$4,145								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Authority does not concur with the cause of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in the Authority’s federally approved verification plan, and the Authority does not agree that a material weakness in internal control exists.</p> <p>The condition that led to the \$3,293 in unallowable claims for additional CHIP funds was corrected in July 2017. The remaining \$852 in questioned costs represent claims that were not only eligible for additional CHIP funds, but also allowable at a higher rate than the Authority claimed.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2017-038, 2016-034, 2015-039, and 2014-037.</p>								
		Completion Date:	Not applicable								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	049	Finding:	The Health Care Authority made improper payments for Medicaid managed care recipients with Medicare insurance coverage.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$3,762,678</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$3,762,678	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$3,762,678								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority has implemented the following corrective actions:</p> <ul style="list-style-type: none"><li>As of March 2016, developed an algorithm to identify Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare.</li><li>As of June 2018, went live with the enhancements to the ProviderOne system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.</li><li>Ran the new algorithm for the period from the last algorithm run in November 2017 to the system enhancement in June 2018, and identified all PMPM premium duplicate payments.</li></ul> <p>The Authority has been working on recouping the duplicate payments, and will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2017-039.</p>								
		Completion Date:	Estimated September 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								



Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	050	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.								
		Questioned Costs:	<table><tr><th>CFDA #</th><th>Amount</th></tr><tr><td>93.775</td><td>\$325,468</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	CFDA #	Amount	93.775	\$325,468	93.777		93.778	
CFDA #	Amount										
93.775	\$325,468										
93.777											
93.778											
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>As stated in the background of this finding, the auditor could not determine in the fiscal year 2017 audit whether the duplicate expenditures identified were caused by billing errors of the individual providers, or the hospital or long-term care facility. For this reason, the auditor did not issue a finding.</p> <p>For the fiscal year 2018 audit, the auditor used the same audit methodology and issued a finding. However, the auditor failed to provide a rationale as to how they were able to determine the source of the billing errors or why those errors were attributed to the Department. It is not known whether the payments were incorrectly claimed by the individual provider, or the hospital or nursing facility.</p> <p>The Department had developed a process to research and remediate payments made to in-home providers while a client was either hospitalized or admitted to a long-term care facility:</p> <ul style="list-style-type: none"><li>As of November 2018 , the Department:<ul style="list-style-type: none"><li>Created a report to identify payments made to all provider types for in-home personal care and mileage services while the client was in the hospital or in a long-term care facility.</li><li>Hired an employee to perform payment analysis and coordinate remediation with field contacts.</li></ul></li><li>As of January 2019, the Department began reviewing, processing and tracking the duplicate payments that were identified.</li></ul> <p>As of June 2019, the Department worked with the Health Care Authority to analyze the duplicate payments found and identified the ones that the Department is responsible for.</p> <p>By November 2019:</p> <ul style="list-style-type: none"><li>The Department will begin the process of issuing overpayments to the providers for any unallowable payments.</li><li>The overpayment functionality in the Department’s Individual ProviderOne system is expected to be fully implemented.</li></ul>								

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	050 (cont'd)	<p data-bbox="675 422 1430 478">By January 2020, the Department will consult with the Department of Health and Human Services to discuss any remaining questioned costs.</p> <p data-bbox="675 516 1438 573">The conditions noted in this finding were previously reported in finding 2016-048.</p> <p data-bbox="488 611 959 667">Completion Date: Estimated November 2019</p> <p data-bbox="488 705 1068 894">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	051	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$34,510</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$34,510	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$34,510										
93.777											
93.778											
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department is in the process of enhancing monitoring procedures for identifying unallowable payments.</p> <p>By November 2019:</p> <ul style="list-style-type: none"><li>The overpayment functionality in the Department’s Individual ProviderOne system is expected to be fully implemented.</li><li>The Department will begin the process of issuing overpayments to the providers for any unallowable payments.</li></ul> <p>The Department will work with the federal grantor to determine if any questioned costs identified in the audit and associated costs need to be repaid.</p>								
		Completion Date:	Estimated November 2019								
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u><a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></u></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	052	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls and did not comply with survey requirements for Medicaid intermediate care facilities.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$0										
93.777											
93.778											
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department utilizes a survey-tracking tool to monitor survey due dates and completion, and has established internal controls to ensure survey requirements for Medicaid intermediate care facilities are met.</p> <p>The one recertification that was performed past its due date in April 2018 was not an indication of internal control deficiency, but rather a result of resource prioritization. The facility was non-compliant with a condition of participation from a prior recertification survey, and was imposed with a “Denial of Payment” penalty for new admissions. After receiving the facility’s credible allegation of compliance letter in January 2018, the Department conducted two re-survey visits and subsequently placed the facility back in compliance in March 2018.</p> <p>The facility’s recertification was performed in May 2018 due to the Department’s executive decision to prioritize a recertification survey of another facility that had been out of substantial compliance and placed clients’ safety and welfare at risk.</p> <p>As of April 2019, the Department requested assistance from:</p> <ul style="list-style-type: none"><li>• Certified surveyors of other units within Residential Care Services as needed.</li><li>• The federal grantor’s contracted certified surveyors, if available, to meet compliance with survey intervals.</li></ul> <p>The Department will continue to ensure survey requirements are met.</p> <p>The conditions noted in this finding were previously reported in finding 2017-042, 2016-037, and 2015-045 which the auditors considered resolved, and 2014-046 as unresolved.</p>								
		Completion Date:	In progress								
		Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	053	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure it complied with survey requirements for Medicaid nursing home facilities.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
Status:	Corrective action in progress										
Corrective Action:	<p>The Department does not concur with the finding.</p> <p>In response to prior audit findings, the Department had implemented the Electronic Plan of Correction (ePOC), an electronic application that enables the Department to monitor compliance more effectively. The Department asserts that internal controls have been strengthened to ensure Statements of Deficiencies (SOD) are mailed by the tenth working day after survey exits, as evidenced by the steady decrease in audit exceptions since fiscal year 2016.</p> <p>The auditors reported two cases where the Department did not deliver SOD within ten working days as required. One case was due to the failure of the ePOC system on the provider end, resulting in the Department manually delivering the SOD to the provider on the eleventh day. The Department subsequently confirmed that the technical problem had been resolved for the provider in question.</p> <p>In the second case, an administrative review of the SOD caused a slight delay and resulted in the Department delivering the SOD to the provider on the eleventh day.</p> <p>In both cases, the SOD were delivered less than 24 hours beyond the federal requirement. The providers submitted their plans of correction timely with no impact from the one-day delay.</p> <p>System failures are beyond the control of the Department, and administrative reviews are essential to ensure SOD are complete and accurate. These should be considered acceptable reasons for providers not receiving their SOD within the required ten days.</p> <p>The Department will continue to use existing internal controls and quality assurance reviews to monitor the timeliness of SOD distribution to providers.</p> <p>The conditions noted in this finding were previously reported in finding 2017-043, 2016-036, 2015-044 and 2014-046.</p>										

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	053 (cont'd)	<p>Completion Date: In progress</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status												
2018	054	<p data-bbox="487 424 1463 546">Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to home care agencies were allowable.</p> <table border="1" data-bbox="487 583 1096 714"> <thead> <tr> <th data-bbox="487 583 609 613">Questioned Costs:</th><th data-bbox="673 583 771 613"><u>CFDA #</u></th><th data-bbox="998 583 1096 613"><u>Amount</u></th></tr> </thead> <tbody> <tr> <td data-bbox="487 613 609 642"></td><td data-bbox="673 613 771 642">93.775</td><td data-bbox="998 613 1096 642">\$8,315</td></tr> <tr> <td data-bbox="487 642 609 672"></td><td data-bbox="673 642 771 672">93.777</td><td></td></tr> <tr> <td data-bbox="487 672 609 701"></td><td data-bbox="673 672 771 701">93.778</td><td></td></tr> </tbody> </table> <p data-bbox="487 743 982 772">Status: Corrective action in progress</p> <p data-bbox="487 810 1463 995">Corrective Action: The Department partially concurs with the finding.  The Department concurs that there were 25 instances when a daily payment was not supported by an electronic timekeeping record. These payments were made to a home care agency that subsequently closed and did not respond to the request for documentation.</p> <p data-bbox="487 1033 1463 1188">However, the Department does not concur that payments with no attached task sheets or missing signatures on task sheets should be included in questioned costs. Task sheets are used to document what tasks were completed during the provider's shift, as required by the home care agency contract. They are not a federal or state requirement.</p> <p data-bbox="487 1226 1031 1255">As of June 2019, the Department:</p> <ul data-bbox="706 1264 1446 1457" style="list-style-type: none"> <li>• Modified the tool provided to the Area Agencies on Aging (AAA) for monitoring home care agency's compliance with electronic timekeeping contractual requirements.</li> <li>• Worked with AAA's contract management staff to request corrective action plans from home care agencies that are noncompliant with contractual requirements.</li> </ul> <p data-bbox="487 1503 1117 1533">By September 2019, the Department will:</p> <ul data-bbox="706 1541 1463 1701" style="list-style-type: none"> <li>• Determine if an overpayment will be issued to the home care agency that did not respond to the request for electronic time keeping records to support the payment.</li> <li>• Determine if state funds will be used to reimburse federal questioned costs.</li> </ul> <p data-bbox="487 1747 1463 1843">By December 2019, the Department will work with the federal grantor to determine if the questioned costs related to exceptions with task sheets need to be repaid.</p> <p data-bbox="487 1881 958 1944">Completion Date: Estimated December 2019</p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		93.775	\$8,315		93.777			93.778	
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$8,315												
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	93.778													



**Department of Social and Health Services****Agency 300**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2018	054 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <u><a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></u>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	055	Finding:	The Department of Social and Health Services did not ensure the federal portion of uncashed Medicaid checks was returned to its grantor.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$237,078</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$237,078	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$237,078								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department is implementing a process for the vendor to return uncashed checks to the Department. By October 2019, the Department and the vendor will:</p> <ul style="list-style-type: none"><li>• Complete the development of an interface to identify uncashed checks older than 180 days.</li><li>• Develop a report listing the uncashed checks that need to be returned to the Department.</li><li>• Request the vendor to return uncashed checks that were issued from April 2016 through December 31, 2017. Thereafter, the vendor is required to submit a monthly report with any uncashed checks.</li></ul> <p>By December 2019, the Department will return the federal share of all uncashed checks to the Center for Medicaid and Medicare Services.</p>								
		Completion Date:	Estimated December 2019								
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u><a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></u></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	056	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure all Medicaid Community First Choice individual providers had proper background checks.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$25,288</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$25,288	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$25,288								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department asserts that adequate internal controls are in place to ensure all Medicaid individual providers had proper background checks. Centers for Medicare &amp; Medicaid Services require a minimum of 86 percent proficiency statewide related to compliance with individual provider background checks. The Department has monitored this requirement for many years and has consistently achieved over 90 percent proficiency statewide.</p> <p>The audit identified:</p> <ul style="list-style-type: none"><li>Five instances when fingerprint background check were not performed on Community First Choice (CFC) individual providers within the required timeframe. In all cases, the Department subsequently completed fingerprint background checks and found no disqualifying crimes.</li><li>One instance where a background check was not renewed after two years. Although this requirement is included in the Department policy, the State Plan does not require individual providers to complete background checks every two years to remain qualified. The State Plan only requires a state background check prior to contracting, and a federal background check, when required, within 120 days of being hired.</li></ul> <p>The Department agrees that two of the three Area Agency on Aging (AAA) proficiency improvement plans did not address how the AAA would correct a background check deficiency.</p> <p>To address the audit recommendations, the Department will continue to follow established internal controls to materially ensure CFC individual providers have timely background checks.</p> <p>As of June 2019, the Department revised its internal process for approving proficiency improvement plans to ensure accuracy and completeness.</p> <p>By August 2019, the Department will:</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	056 (cont'd)	<ul style="list-style-type: none"><li>• Identify associated costs related to unallowable payments for personal care services.</li><li>• Work with the U.S. Department of Health and Human Services to return questioned costs.</li></ul> <p>The conditions noted in this finding were previously reported in finding 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34.</p> <p>Completion Date: Estimated August 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	057	Finding:	The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were properly revalidated or screened, and fingerprint-based criminal background check requirements were met.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>As of November 2017, the Department developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurred within the five-year requirement.</p> <p>As of September 2018, the Department completed screening of all nursing facilities.</p> <p>As of October 2018, the Department implemented an automated process to screen providers in the Agency Contracts Database (ACD). The new process includes a built-in system edit in the ACD that prevents a new or renewal of Medicaid contract to be approved or signed unless the screening process has been successfully completed in ACD.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"><li>• Verify and document proof of identity and authorization to work in the U.S. from individual providers before revalidating providers' contracts.</li><li>• Perform quality assurance monitoring and remediation activities to ensure compliance with contracting requirements.</li></ul> <p>By September 2019, the Department will complete a workload impact assessment and cost analysis for:</p> <ul style="list-style-type: none"><li>• Monitoring provider risk levels for risk level reassignment due to overpayments or Medicaid fraud referral.</li><li>• Implementing a process to conduct fingerprint-based criminal background checks for high-risk providers to meet additional fingerprint requirements.</li></ul> <p>Once workload impact and cost analysis is complete, the Department will determine the best course of action to comply with screening and fingerprint requirements.</p>								
		Completion Date:	Estimated September 2019								

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**Department of Social and Health Services****Agency 300**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Status</b>
2018	057 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	058	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and was not compliant with requirements to ensure Medicaid payments to supported living providers were allowable.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$1,985,968</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,985,968	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$1,985,968								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>State law provides the Department the authority to authorize payments for individuals in community residential programs. The system is designed to allow supported living (SL) providers the resource flexibility needed throughout the year to meet the changing needs of the individual clients. The Department requires that clients receive all authorized Instruction and Support Services (ISS) hours over the course of the year. Providers are expected to provide hours in a flexible way within the year in order to address clients' individualized needs.</p> <p>SL providers are required to complete and certify annual cost reports, which reconcile hours and ISS dollars authorized to hours and ISS dollars provided. After reviewing cost reports, the Department establishes settlements when providers were paid for more direct service hours than they provided in a calendar year or when providers received more reimbursement (in dollars) for direct support costs compared with what was actually incurred during the year.</p> <p><u>Cost Reports and Timesheets</u></p> <p>The cost reports are not used to provide information to establish rates or allocate appropriate funds. Rather, rates are established through a rate setting process which includes a method to adjust for the sharing of service hours within households or clusters, and for needed supports that occur on an infrequent basis. All of these items are factored into calculating a daily rate for the individual client.</p> <p>The direct hours reported in the cost reports does not take into consideration the annual needs for support services, such as medical appointments and periodic essential shopping, The daily rates established through the rate setting process encompass these support hours. As such, looking at a snapshot of hours does not accurately reflect the cost of care provided and does not take into consideration that the rate assessment is based on a client's daily, weekly and annual needs for support services.</p> <p>Support services are evaluated and spread out over the entire year. The algorithm encompasses and factors in these support hours to determine the</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	058 (cont'd)	<p>daily rate. The staffing plan is not intended to be a reflection of the daily hours provided, but rather a snapshot of the client's average assessed needs.</p> <p>During the cost settlement process, the Department's rate analysts verify accuracy of the reports and request additional documentation for support when necessary. The Department works with the providers to address any issues prior to the filing of cost reports.</p> <p><u>Settlements</u></p> <p>The Department has the authority to reimburse the service provider for services delivered. Sometimes, overtime costs are necessary to adequately support clients, such as when:</p> <ul style="list-style-type: none"> <li>• The ISS cost exceeds the reimbursed rate.</li> <li>• A service provider has to fund the delivery of ISS by the use of overtime since there is an industry-wide staffing shortage.</li> <li>• High staff turnover and vacancy rate in the supported living industry necessitates the use of overtime.</li> </ul> <p>All ISS hours are documented initially in the cost report as delivered at the benchmark. During the cost settlement process, the Department can grant an exception to the benchmark rate for the hours purchased. The hours purchased at the higher benchmark may be adjusted for the total hours purchased.</p> <p><u>Categorization of Employees</u></p> <p>Department policy states that for staff who perform both administrative/non-staff functions and ISS, the service provider may include that portion of the employee's hours that are dedicated to ISS function. The Department relies on the function of the position, rather than the title of the position.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> <li>• Follow current policy and monitoring activities to ensure individual client assessed support needs are met.</li> <li>• Use statistical sampling method and risk assessment to select a sample of agencies to verify that ISS cost information submitted by providers is accurate.</li> <li>• Grant exceptions to the payment rates if needed.</li> <li>• Work with the ProviderOne payment system partners to address system edits to prevent duplicate claims</li> </ul> <p>As of July 2019, the Department will issue overpayments for the duplicate payments.</p> <p>By December 2019, the Department will:</p> <ul style="list-style-type: none"> <li>• Increase the sampling size for cost report reviews to cover approximately one quarter of the supported living agencies.</li> </ul>

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	058 (cont'd)	<ul style="list-style-type: none"> <li>Consult with the federal grantor as to whether the questioned costs identified by the audit should be repaid.</li> </ul> <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> <li>Offer training to providers on maintaining adequate documentation to support ISS expenses.</li> <li>Review a targeted sample of provider records to evaluate and determine whether supporting documentation is adequate.</li> <li>Complete desk audits of selected providers and work with the providers to resolve any payment discrepancies identified.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39.</p> <p>Completion Date: Estimated July 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	059	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$1,362,413</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,362,413	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$1,362,413								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>While the Department agrees that person-centered service plans must be signed by the Department, client, and provider, the Department does not agree that improper payments can be assigned when a person-centered service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had previously provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed service plan does not render a client ineligible for services and therefore should not result in an improper payment.</p> <p>In January 2018, the Department updated the quality assurance procedures in monitoring compliance for obtaining client signatures on service plans. The Division’s Quality Assurance team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations to no longer require the termination of services should a client not return a signed service plan within 60 days of the completion of assessment. Since the previous rule was in conflict with</p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	059 (cont'd)	<p data-bbox="673 422 1403 485">federal guidance and has subsequently been revised, the Department disagrees with the auditor's determination that:</p> <ul data-bbox="703 495 1468 688" style="list-style-type: none"> <li data-bbox="703 495 1455 558">• Improper payments resulted from seven service plans that were not signed by the clients within 60 days.</li> <li data-bbox="703 569 1468 688">• Seven Department signatures and two provider signatures received after 60 days were audit exceptions. The 60-day time frame for the Department and providers was not required by either federal or state regulations.</li> </ul> <p data-bbox="673 730 1049 758">By July 2019, the Department will:</p> <ul data-bbox="703 768 1448 1087" style="list-style-type: none"> <li data-bbox="703 768 1448 888">• Revise its policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process.</li> <li data-bbox="703 898 1430 989">• Implement technical upgrades in the Comprehensive Assessment and Reporting Evaluation assessment tool to allow clients to sign their service plans via an electronic method.</li> <li data-bbox="703 999 1448 1087">• Provide training and outreach efforts to field staff on the new requirement and the alternatives for obtaining client's signature on person-centered service plans.</li> </ul> <p data-bbox="673 1129 1448 1213">By November 2019, the Department will complete targeted reviews to measure compliance and determine additional actions needed to increase proficiency rate with this requirement.</p> <p data-bbox="673 1255 1086 1283">By January 2020, the Department will:</p> <ul data-bbox="703 1293 1468 1518" style="list-style-type: none"> <li data-bbox="703 1293 1468 1413">• Consult with CMS to clarify if person-centered service plans that are missing signatures should result in unallowable payments, and if applicable, the associated costs related to any unallowable payments.</li> <li data-bbox="703 1423 1438 1518">• Work with the U.S. Department of Health and Human Services to determine if the questioned costs identified by the audit should be repaid.</li> </ul> <p data-bbox="673 1560 1438 1612">The conditions noted in this finding were previously reported in finding 2017-045.</p> <p data-bbox="487 1654 930 1707">Completion Date: Estimated January 2020</p> <p data-bbox="487 1749 1068 1927">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2018	060	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$1,089,551</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,089,551	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$1,089,551								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The auditors expanded the audit scope in fiscal year 2018 to include a review of provider signatures on person-centered service plans, in addition to Department and client signatures, for compliance with federal requirements.</p> <p>While the Department agrees that it must comply with federal regulations regarding obtaining signatures on clients’ person-centered service plans, the Department does not agree that improper payments can be assigned when a service plan is not signed by an individual responsible for its implementation.</p> <p>The Centers for Medicare and Medicaid Services (CMS) had provided guidance to the Department stating that the federal rules covering eligibility for services are separate from the rules on person-centered service planning. In all the cases reviewed by the auditors in the audit, the Department made payments to qualified providers for covered services delivered to eligible beneficiaries. The lack of a signed person-centered service plan does not render a client ineligible for services or a provider unqualified to provide services, and therefore should not result in an improper payment.</p> <p>The Department also disagrees that any signatures received after 60 days should result in exceptions. Federal regulations require signatures, but not within a specified amount of time. CMS did provide guidance that in some cases it may be difficult to obtain signatures and gave direction on steps the Department can take to comply with the rules while still continuing services without the required signatures.</p> <p>Based on CMS guidance, effective December 2018, the Department changed its regulations for the Community First Choice Program to no longer require the termination of services should a client not return a signed person-centered service plan within 60 days of the completion of assessment.</p> <p>The Department has quality assurance processes in place to monitor compliance in obtaining client and Department signatures on person-centered service plans:</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Status
2018	060 (cont'd)	<ul style="list-style-type: none"> <li>The Administration's Quality Compliance Coordination team reviews client and Department signatures from a statewide sample, including documented attempts to obtain signatures. The review is part of an established annual audit cycle and measures statewide proficiency. If the annual review determines that the proficiency has fallen below the CMS standard of 86 percent, a quality improvement plan will be implemented to improve statewide performance.</li> <li>Case Manager Supervisors perform monthly monitoring of all staff for compliance with signature requirements.</li> </ul> <p>By October 2019, the Department will:</p> <ul style="list-style-type: none"> <li>Consult with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. If necessary, the Department will identify associated costs related to any unallowable payments.</li> <li>Work with the U.S. Department of Health and Human Services to determine if any costs identified by the audit should be repaid.</li> </ul> <p>By January 2020, the Department will:</p> <ul style="list-style-type: none"> <li>Update policies and procedures to add the requirement of provider signatures on person-centered service plans. This requirement will also be added to the quality assurance monitoring process.</li> <li>Develop and implement a training specifically designed to provide support and guidance to staff in obtaining required signatures on service plans in alignment with CMS guidance.</li> </ul> <p>By September 2020, the Department will enhance the quality assurance process to monitor compliance with the signatures requirement.</p> <p>The conditions noted in this finding were previously reported in finding 2017-046 and 2016-043.</p> <p>Completion Date: Estimated September 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2018	061	Finding:	The Military Department did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of Disaster Grants-Public Assistance received required audits.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.036</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.036	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		97.036	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In response to prior year’s finding, the Department has been working on implementing process changes as outlined in the corrective action plan.</p> <p>As of November 2018, the Department updated the existing subrecipient monitoring policy to clearly outline roles and responsibilities for divisions and grant programs.</p> <p>The Finance Division maintains the Department’s Audit Tracker system and is responsible for collecting audit data from subrecipients across the Department. As of March 2019, the Division has mostly completed documenting all relevant audits for subrecipients that received grant funds in 2017 and 2018.</p> <p>After all audit data has been collected, the Finance Division will:</p> <ul style="list-style-type: none"><li>• Verify all required audits occurred.</li><li>• Ensure all subrecipient audit findings related to the program were followed up on.</li><li>• Ensure management decision letters were issued promptly where necessary.</li><li>• Continue to add new subrecipients to the Audit Tracker system as new grants are awarded in 2019 and beyond.</li><li>• Monitor audit status in the system and follow up as required.</li></ul> <p>The program will continue to perform program monitoring activities. Upon receipt of an audit finding notification, the program performs an extensive review of the finding and issues management decision letters as needed.</p> <p>The conditions noted in this finding were previously reported in finding 2017-052.</p>				
		Completion Date:	Estimated October 2019				
Agency Contact:	TJ Rajcevich Deputy Finance Director Building #1: Headquarters Mailstop: TA-20 Tacoma, WA 98430-5032 (253) 512-7596 <a href="mailto:timothy.rajcevich@mil.wa.gov">timothy.rajcevich@mil.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status	
2017	003	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p> <p>Agency Contact:</p>	<p>The Department of Health did not have adequate internal controls over and could not demonstrate it complied with requirements to perform risk assessments for all subrecipients of the Special Supplemental Nutrition Program for Woman, Infants and Children program.</p> <p><u>CFDA #</u> 10.557</p> <p><u>Amount</u> \$0</p> <p>Corrective action complete</p> <p>The Department partially concurs with the finding.</p> <p>The Department strives to ensure compliance with federal regulations and has the following procedures in place to evaluate the risk of subrecipients as part of the monitoring protocol:</p> <ul style="list-style-type: none"> <li>• An initial written risk assessment is required for new subrecipients of a federal award.</li> <li>• For each subsequent subaward, an informal risk assessment is performed to determine if the subrecipient's risk level has changed and thus requires a new written risk assessment. Otherwise, the Department relies on the initial risk assessment.</li> </ul> <p>Informal risk assessments are performed by staff, and Department procedure does not require documentation be maintained for those activities. The auditors determined that lack of documentation of the informal risk assessments did not meet federal requirements. The auditors also determined that the Department does not have adequate internal controls to ensure required assessments are performed.</p> <p>As of June 2018, the Department:</p> <ul style="list-style-type: none"> <li>• Updated the internal procedures for the program to require all risk assessments be documented in accordance with guidance from the federal grantor.</li> <li>• Incorporated the review of risk assessments into the contracting processes.</li> <li>• Communicated changes of the risk assessment process to staff.</li> <li>• Began providing staff training on the risk assessment process through regular work group meetings and advisements from the Fiscal Monitoring Unit.</li> </ul> <p>June 2018</p> <p>Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	005	Finding:	The Employment Security Department did not have adequate internal controls over and did not comply with requirements to ensure only eligible claimants of the Unemployment Insurance program received weekly benefits.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>17.225</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		17.225	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The audit identified some design flaws in the Unemployment Tax and Benefit (UTAB) system causing cases selected for the job search verification process not being forwarded for verification.</p> <p>As of February 2018, the Department has:</p> <ul style="list-style-type: none"><li>Corrected the design flaws in the system that were identified in the audit.</li><li>Established new monitoring procedures to help ensure all work search verifications are completed and staff reviews are adequately documented.</li></ul> <p>As of May 2018, the Department’s Office of Internal Audit began conducting an assurance engagement to provide assurance to management that the Department has implemented corrective action to address the audit recommendations. The fieldwork phase has been completed and at this time no material gaps in assurance has been identified.</p> <p>As of July 2018, the results of the assurance engagement were finalized and reported to Department management.</p>				
		Completion Date:	July 2018				
Agency Contact:	Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 <a href="mailto:bhainline@esd.wa.gov">bhainline@esd.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	006	Finding:	The Department of Services for the Blind did not implement adequate internal controls over, and was not compliant with, federal requirements to establish timely individual plans of employment for Vocational Rehabilitation program clients.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action complete				
Corrective Action:	Previously, management had been relying on reviewing monthly reports from the case management system to identify delayed individual plans of employment (IPEs). These reports were reviewed by Regional Area Managers to assist counselors in meeting the 90-day deadline for each case. For the cases that were overdue, Regional Area Managers reviewed justification for the delay to ensure it was adequately and properly documented in the client’s case notes within the case management system. The completed monthly reviews were sent to the Deputy Director to be filed.						
	The exceptions identified in the prior audit revealed the limitations of monitoring by monthly reports. Since the reports only showed a snapshot in time, they did not include those delayed IPEs that had been resolved before the date the reports were generated. Consequently, management was not alerted of delayed IPEs that were missing the required justification and documentation.						
		In response to the audit recommendations, the Department has taken the following corrective actions:	<ul style="list-style-type: none"><li>As of August 2017, completed the testing of the Dashboard in the case management system, and determined that the data values provided by the Dashboard were sufficiently reliable to be used as a tool to monitor compliance. Case managers have since received appropriate training to use the tool weekly to manage their caseloads on a real-time basis. With the implementation of this new process, the Department discontinued the use of monthly reports as a monitoring tool. The increased reliance on the Dashboard showed a significant decrease in incidence of delayed plans and increase in timely justifications where needed.</li><li>As of September 2017, implemented a process to identify IPEs nearing the 90-day deadline for the upcoming week and to remind counselors of required client signatures and components for documenting a delay justification if an IPE is not expected to be developed within the 90-day timeframe. Regional Area Managers provided coaching to counselors on the effective use of the Dashboard feature and performed weekly monitoring of the use of the tool.</li><li>Communicated to Regional Managers a target of less than ten percent overdue IPEs for the agency, by region and counselor. As of</li></ul>				

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	006 (cont'd)	<p>October 2017, performance data showed a decrease in agency-wide overdue IPEs compared to the previous fiscal year though not within the target range. Nonetheless, the average number of days taken to complete IPEs for all individuals has fallen to less than the required 90 days.</p> <ul style="list-style-type: none"> <li>• Finalized the revision of the Washington Administrative Code (WAC) to align with the new Workforce Innovation and Opportunity Act of 2014 that includes the requirements of delay justification documentation.</li> <li>• As of June 2018, the revision of agency policy had passed all aspects of Office of Code Reviser processes and is expected to be adopted in August 2018.</li> </ul> <p>As of February 2019, the Department updated sections of the Vocational Rehabilitation Procedures Manual including IPE development and related requirements, which occurred in tandem with the implementation of a new case management system. The updated procedure manual reflects the internal controls in place for the IPE development process.</p> <p>The conditions noted in this finding were previously reported in finding 2016-010, which the auditors considered as resolved in fiscal year 2018.</p> <p>Completion Date: February 2019</p> <p>Agency Contact: Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2017	009	Finding:	The Department of Services for the Blind did not have adequate controls over, and was not compliant with, federal requirements for charging costs to the Vocational Rehabilitation program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$2,479,527</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$2,479,527
<u>CFDA #</u>	<u>Amount</u>						
84.126	\$2,479,527						
		Status:	Corrective action complete				
		Corrective Action:	<p>In August 2017, the Department submitted a request to the U.S. Department of Education (DOE) cost allocation group to switch from an indirect cost rate to a Cost Allocation Plan (CAP) and requested the plan be approved retroactively to July 1, 2016. The Department charged reasonable and appropriate indirect costs to federal grants during fiscal year 2017 with the understanding that the federal granter would approve the CAP retroactively.</p> <p>As of May 2018, the Department received approval for the Cost Allocation Plans for fiscal year 2018 to 2020, with an effective date of July 1, 2017. However, the fiscal year 2017 CAP did not receive retroactive approval.</p> <p>As of September 2017, the Department has implemented a secondary review process for indirect costs charged to federal grants. After accounting staff identifies the amount of indirect costs to charge against each grant, the Deputy Financial Officer conducts a review of the charges and approve the amounts. This secondary review process is in place and ongoing.</p> <p>The Department is working with DOE through the audit resolution process to determine whether the Department charged reasonable indirect costs during fiscal year 2017, and if any questioned costs need to be repaid.</p>				
		Completion Date:	June 2019				
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	022	Finding:	The Department of Social and Health Services did not report fraud affecting multiple federal programs to grantors.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr><tr><td>93.575</td><td></td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0	93.575		93.596	
		<u>CFDA #</u>	<u>Amount</u>								
		93.558	\$0								
		93.575									
		93.596									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>As of July 2018, the Department reviewed guidance published by U.S. Department of Health and Human Services (HHS) on the requirement for self-disclosing instances of fraud affecting federal awards. The Department also sent a letter to HHS asking for, and subsequently received clarification on the report formats and definitions.</p> <p>As of June2019, the Department convened a workgroup to develop and implement sufficient procedures to ensure the Department reports, in writing, instances of fraud affecting grand awards.</p> <p>By August 2019, the Department will develop and provide training to staff regarding federal fraud reporting requirements.</p>								
		Completion Date:	Estimated August 2019								
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u><a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></u></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	032	Finding:	The Health Care Authority overpaid a tribe for Medicaid chemical dependency treatments.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$3,909,517</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$3,909,517	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$3,909,517								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Authority submits an annual State Plan to the Centers for Medicare and Medicaid Services (CMS) for approval. The plan includes tribal health care facilities that deliver health care services to Medicaid-eligible clients. In August 2017, the State Auditor’s Office published a whistleblower investigation (report number 1019566) that reported the Authority overpaid a tribe for chemical dependency treatments.</p> <p>Since the language in the State Plan is not conclusive and more than one tribe has challenged the conclusions in the whistleblower report, the Authority requested guidance from CMS in September 2017 on whether the payments identified in the audit report are overpayments.</p> <p>The Authority also requested an amendment to the State Plan to provide clear language that would prospectively preclude the primary type of findings published in the whistleblower investigation and that is consistent with language approved by CMS for other states’ tribal health programs. CMS approved the requested amendment effective September 29, 2017.</p> <p>On January 29, 2018, CMS directed the Authority to Section 4320 of the State Medicaid Manual issued by the Health Care Financing Administration (predecessor agency to CMS). In particular, paragraph C of the Section states:</p> <p>“If a State elects to cover clinic services, it may choose the type of clinics or clinic services that are covered, provided that the services constitute medical or remedial care.”</p> <p>In light of this CMS guidance and based on various mitigating factors, the Authority has determined that it would be inappropriate to seek recovery of payments based on the sole reason that service was rendered by a provider not listed in the State Plan which was in effect prior to the amendment in September 2017.</p> <p>The Authority has contacted CMS on two occasions to find out if the audit finding is closed. As of June 2019, the Authority has not received a confirmation.</p> <p>If the U.S. Department of Health and Human Services determines the payments identified in the audit are in fact overpayments, the Authority will follow the normal audit resolution process to resolve the questioned costs.</p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	032 (cont'd)	<p data-bbox="483 422 784 485">Completion Date: June 2018</p> <p data-bbox="483 516 1068 705">Agency Contact: Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	035	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure it sought reimbursement for all eligible Medicaid outpatient prescription drug rebate claims.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$23,955,658</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$23,955,658	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$23,955,658								
		93.777									
93.778											
Status:	Corrective action complete										
Corrective Action:	<p>The Authority disagrees, in most respect, with the Description of Condition, Cause of Condition, Effect of Condition and Questioned Costs, as stated in the finding. Details of the disagreements and concerns were outlined in the Authority’s response to the finding.</p> <p>The following are exceptions identified by the auditors with which the Authority concurs and will take corrective actions:</p> <p>(1) Emergency medical eligibility This issue was limited to medical claims and affected 119 specific clients in the ProviderOne system. As of March 2018, the Authority started using a report that allows staff to preemptively identify these specific scenarios and make eligibility updates as appropriate. This review is performed on a weekly basis, which also allows the Authority to reprocess any affected claims prior to invoicing.</p> <p>(2) Procedure code configuration ProviderOne allows numerically sequential procedure codes with like requirements to be configured in ranges or ‘groups.’ However, unintended gaps were created in certain ranges during the process of uploading new and changed codes, which caused the National Drug Code (NDC) requirements on certain codes to be temporarily bypassed.</p> <p>In April 2018, the Authority corrected the drug rebate system errors by:</p> <ul style="list-style-type: none"><li>• Removing the grouping configuration</li><li>• Reviewing the current list of codes</li><li>• Maintaining codes individually</li></ul> <p>(3) Healthcare Common Procedure Coding System to NDC conversion errors This was a condition known to the Authority from prior audit findings. A ProviderOne change request has been initiated to add configurable fields to facilitate unit conversions on the more complex physician-administered drug claims. As of April 2018, this change was implemented.</p>										



Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	035 (cont'd)	<p>In addition, the Authority will:</p> <ul style="list-style-type: none"> <li>• Contact the Centers for Medicare and Medicaid Services to fully explain the audit results and determine if the questioned costs identified by the audit should be repaid.</li> <li>• Initiate work to invoice drug manufacturers for rebates that should be requested.</li> </ul> <p>The conditions noted in this finding were previously reported in findings 2015-034 and 2014-031 for fee-for-service Medicaid claims, and 2016-032 for managed care Medicaid claims. The auditors considered finding 2015-034 as resolved in fiscal year 2018. The other prior finding was previously resolved.</p> <p>Completion Date: January 2019</p> <p>Agency Contact: Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:Keri.kelley@hca.wa.gov">Keri.kelley@hca.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	036	Finding:	The Health Care Authority overpaid Medicaid hospitals for outpatient services.								
		Questioned Costs:	<table><thead><tr><th><u>CFDA #</u></th><th><u>Amount</u></th></tr></thead><tbody><tr><td>93.775</td><td>\$118,679</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></tbody></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$118,679	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$118,679								
		93.777									
		93.778									
		Status:	Corrective action complete								
Corrective Action:	<p>The Authority agrees that some claims were missed during the original mass adjustment of claims affected by incorrect Enhanced Ambulatory Patient Group (EAPG) weight assignment in the ProviderOne system.</p> <p>As of November 2017, the Authority identified all the missed claims and processed the majority of the adjustments.</p> <p>As of January 2018, the Authority completed the processing of the remaining two percent of the claims that did not get adjusted in November 2017. All corrections had been completed at that time and there were no outstanding questioned costs.</p>										
Completion Date:	January 2018										
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:Keri.kelley@hca.wa.gov">Keri.kelley@hca.wa.gov</a>										

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	038	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure Medicaid expenditures were allowable to claim Children’s Health Insurance Program funds.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$1,945</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,945	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$1,945								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Authority does not concur with the finding.</p> <p>The unallowable charges were the result of a system issue which was identified during the prior audit. The condition that led to the questioned costs identified in the 2017 fiscal year audit was corrected in July 2017.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2016-034, 2015-039, and 2014-037. Finding 2014-037 was previously resolved.</p>								
		Completion Date:	July 2017								
		Agency Contact:	<p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <u>Keri.kelley@hca.wa.gov</u></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	039	Finding:	The Health Care Authority made improper payments to Medicaid managed care recipients with Medicare insurance coverage.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$4,268,059</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$4,268,059	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$4,268,059								
		93.777									
		93.778									
		Status:	Corrective action in progress								
Corrective Action:	<p>From March 2016 through June 2018, the Authority developed and ran an algorithm to identify and recoup duplicate Per Member Per Month (PMPM) premium payments for clients enrolled in Medicare.</p> <p>As of June 2018, the Authority implemented an enhancement to the ProviderOne payment system to automate recoupment of PMPM premiums for clients who are retro-enrolled in Medicare.</p> <p>The Authority was originally hoping to have recoupments done by June 2019. However, due to issues related to claims from providers outside the recoupment window and client concerns over being billed for past services, the recovery process was temporarily put on hold.</p> <p>The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p>										
Completion Date:	Estimated September 2019										
Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>										

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	040	Finding:	The Health Care Authority made improper Medicaid pharmacy fee-for-service payments for clients enrolled in managed care.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$111,756</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$111,756	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$111,756								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Authority does not concur with the finding.</p> <p>The pharmacy claims selected under this review were appropriately paid with the client being covered under the fee-for-service program at the time of claim submission and payment. The Authority does not recoup pharmacy payments for appropriately billed and paid services when the client’s enrollment retroactively changes from fee-for-service to managed care.</p> <p>The Authority received informal guidance from Centers for Medicare and Medicaid Services (CMS) stating that this cost/benefit approach is appropriate. The Authority is requesting official guidance from CMS.</p>								
		Completion Date:	Not applicable								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <u><a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></u>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	041	Finding:	The Health Care Authority made improper Medicaid payments to Federally Qualified Health Centers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$29,518</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$29,518	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$29,518								
		93.777									
		93.778									
		Status:	Corrective action complete								
Corrective Action:	<p>The Authority will initiate the overpayment recoupment process and work with the grantor in the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2016-030, 2015-033, 2014-036, and 2013-026. Findings 2014-036 and 2013-026 were previously resolved.</p>										
Completion Date:	March 2019										
Agency Contact:	<p>Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a></p>										

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	045	Finding:	The Department of Social and Health Services, Aging and Long- Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client support plans were properly approved.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$186,549</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$186,549	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$186,549								
		93.777									
93.778											
Status:	Corrective action complete										
Corrective Action:	<p>The Department does not concur with this finding.</p> <p>Person centered service plans must be reviewed and revised upon reassessment of functional needs. This occurs at least every 12 months, when the individual's circumstances or needs change significantly, or at the request of the individual.</p> <p>However, a signed person-centered service plan is not necessary nor required by the Code of Federal Regulations, Washington’s state Medicaid plan, or the Washington Administrative Code to properly determine or establish a client’s eligibility to receive benefits. While the determination of eligibility and the development of the person-centered service plan may often take place during the same assessment visit with the client, completion of the two tasks are separate and distinct endeavors which are governed by different laws and requirements. The Department also notes that federal regulations provide latitude in obtaining consent in an alternate manner for those clients who are not able to provide a signature.</p> <p>The Department also disagrees with the auditors’ conclusion that the lack of signed service plans resulted in improper payments. The Department made payments to qualified providers for covered services which were delivered to eligible beneficiaries. The Department has performed a thorough analysis of the audit results and found that, in 18 out of 26 exceptions, documentation was maintained in client files indicating staff received a signed service plan from the client and sent it to the Aging and Long-Term Support Administration’s imaging hub.</p> <p>As of January 2018, the Department provided training to staff on the federal requirement to obtain signatures on service plans. In addition, as part of the established annual audit cycle, the Department has initiated a process to monitor staff compliance with federal and state requirements regarding tracking and documenting efforts to obtain signed service plans.</p> <p>As of June 2018, the Department:</p> <ul style="list-style-type: none"><li>Issued a management bulletin to staff regarding signature requirements and outlining procedures for submitting signed service plans for imaging.</li></ul>										

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	045 (cont'd)	<ul style="list-style-type: none"><li>• Sent a letter to the CMS Regional Administrator asking if questioned costs, which were made to qualified providers, needed to be repaid. The Department has not received a response to-date.</li></ul> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: June 2018</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>



Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	047	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration made improper Medicaid nursing facility fee-for-service payments for clients enrolled in managed care.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$6,991</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$6,991	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$6,991								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Department partially concurs with this finding.</p> <p>The Department concurs that the two facilities reported in the finding either did not submit the required denial letter from the managed care organization (MCO) with their invoice or the submitted letters did not clearly convey a claim denial. However, the Department does not concur with the auditors’ determination that these services would have been paid by the MCO or the Medicaid program has incurred duplicate payments. Therefore, the Department will not recover these payments identified by the auditor as unallowable.</p> <p>At times, patients need to be admitted to nursing facilities who do not meet skilled or rehabilitative level of care, or patients’ stays exceed their eligibility period. These stays are not eligible for managed care coverage and the Department is responsible for payment of these claims.</p> <p>In support of the Department’s mission and mandates, there are times when exceptions to the contract language must be made in order to maintain a patient’s necessary care at a facility. When these exceptions are made, the Department communicates with both the MCO and the facility regarding the claims in question.</p> <p>The Department and the Health Care Authority have been engaging in a continuous process improvement, which includes:</p> <ul style="list-style-type: none"><li>• Initiating multiple updates to contract language with MCOs to clarify the roles and responsibilities of the MCOs.</li><li>• Continuing to update the nursing facility billing guide to provide further clarification of the Department’s policy.</li><li>• Issuing guidance via listserv messages to facilities, providing direct training, and coordinating with provider associations.</li></ul> <p>As of June 2018, questioned costs identified in the finding were repaid to the federal grantor.</p> <p>As of September 2018, the Department developed a policy to document when payment exceptions need to be made for clients to maintain residency at a facility and who will have the authority to make this decision.</p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	047 (cont'd)	<p data-bbox="483 426 849 485">Completion Date: September 2018</p> <p data-bbox="483 520 1068 709">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	048	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Adult Family Home providers had proper background checks.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$98,399</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$98,399	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$98,399								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with this finding.</p> <p>The Department agrees that one background check was not renewed timely. As of November 2017, the Department implemented an internal reporting tool that alerts staff to send a reminder notice to a provider when the current background check of an employee is expiring in 60 days. If the provider does not complete the background check by the required due date, a complaint investigation will be initiated.</p> <p>The Department does not concur with the exceptions regarding the missing national fingerprint background checks for the two providers. The providers in question had both applied in 2011, which was prior to Washington Administrative Code 388-76-10165 becoming effective and requiring a fingerprint check.</p> <p>The Department also does not agree the findings should be tied to questioned costs. The auditors did not identify any providers who had a disqualifying crime or negative action. While the one Adult Family Home in question was out of compliance with the licensing requirements of WAC 388-76 by not having current background check results on file, and is therefore subject to corrective action and sanctions by the Department, the provider was not unqualified to provide Medicaid paid services. Thus, the payments to the provider were proper.</p> <p>Additionally, the Department is unable to comment or validate the auditor’s statement of noncompliance with background check issues related to the Adult Family Home employees. The auditor had failed to provide any data to substantiate this part of the finding.</p> <p>In July 2018, the Department sent a letter to the Centers for Medicare and Medicaid Services (CMS) inquiring about the questioned costs.</p> <p>In November 2018, the Department held a telephone conference with CMS and the Healthcare Authority (HCA).</p> <p>As of June 2019, neither the Department nor HCA has received a response from CMS.</p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	048 (cont'd)	<p>The conditions noted in this finding were previous reported in findings 2016-044, 2015-051, 2014-048, and 2013-037. The auditors considered finding 2013-037 as resolved in fiscal year 2018.</p> <p>Completion Date: Estimated December 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2017	050	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration and Developmental Disabilities Administration, made improper overtime payments to Medicaid individual providers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$9,778</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$9,778	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$9,778								
		93.777									
93.778											
Status:	Corrective action in progress										
Corrective Action:	<p>The Department does not concur with the finding.</p> <p>The Department uses the Comprehensive Assessment Reporting Evaluation (CARE) tool, approved by the Centers for Medicare and Medicaid Services (CMS), to assess client needs and to allocate the number of hours of personal care and respite the client is eligible to receive.</p> <p>Payments were made to qualified providers for services the client was authorized to receive. All hours paid to the individual providers were allowable as no payments were made in excess of the CARE generated allowable hours.</p> <p>The Department's process complies with CMS's directive outlined in the information bulletin published by the U.S. Department of Health and Human Services in July 2014. The directive required that any processes developed by States must comply with the Fair Labor Standards Act (FLSA). The Department protects clients' access to eligible services and supports from a provider of their choice through their person-centered service plan. In addition, overtime costs paid under FLSA can be reimbursed as a reasonable cost related to the delivery of Medicaid services.</p> <p>The Department cannot prevent the provider from being paid more than their work week limit because labor law requires payment for all hours worked. Providers must therefore be allowed to claim and be paid for hours worked. However, the Department does follow the post-payment procedure outlined in Washington Administrative Code 388-114-0120 to address claims that exceed a provider's work week limit.</p> <p>With the passage of Engrossed Second Substitute House Bill 1725 (ESSHB 1725), the Legislature imposed work week limits on individual providers. The statute also directed the Department not to impose work week limits on individual providers until the Department conducted a review of the plan of care for the clients served by the individual provider. These reviews were not completed until July 2016, and five of the payments found by the auditors to be unallowable were made prior to this time.</p>										

Fiscal Year	Finding Number	Finding and Corrective Action Status
2017	050 (cont'd)	<p>The rules adopted as a result of ESSHB 1725 have a mechanism for terminating individual providers if they repeatedly exceed their work week limit. Regardless of whether the individual provider exceeds their work week limit, payment for all hours worked is required. The Department adheres to specific actions before stopping a payment to an individual provider who works more than the work week limit. The restrictions imposed on the individual provider by these statutory limits and associated rules have no relation to the client's benefit, which is reflected as authorized hours.</p> <p>The Department also notes that the calculation of the questioned costs was incorrect. The provision of the hours themselves are not in question, only the payment of overtime for these hours. The cost of overtime is the difference between the individual provider's base rate of pay and one and a half times of the base rate. Therefore, questioned costs should be calculated only on the overtime cost.</p> <p>The Department will continue to:</p> <ul style="list-style-type: none"> <li>Follow procedures to identify providers who have excess claims over the work week limit.</li> <li>Issue necessary contract actions according to Department policy.</li> </ul> <p>In July 2018, the Department sent a letter to the Centers for Medicare and Medicaid Services (CMS) inquiring about the questioned costs.</p> <p>As of June 2019, the Department has not received a response from CMS.</p> <p>If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: Estimated December 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	033	Finding:	The Health Care Authority did not have adequate internal controls over its Medicaid inpatient hospital rate setting process and made overpayments to inpatient hospitals.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$358,754</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$358,754	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$358,754								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority has implemented additional internal controls in the annual rate setting process to:</p> <ul style="list-style-type: none"><li>• Notify providers in accordance with agency policy.</li><li>• Verify the accuracy of calculated rates prior to communication.</li><li>• Perform post verification of system-loaded rates.</li></ul> <p>As of May 2018, the Authority amended Washington Administrative Code (WAC) 182-550-3830 to eliminate the contradiction between it and WAC 182-550-3800.</p> <p>The Authority will consult with the U.S. Department of Health and Human Services regarding resolution of questioned costs.</p>								
		Completion Date:	Estimated December 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 360-725-9586 <a href="mailto:Keri.kelley@hca.wa.gov">Keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	047	Finding:	Medicaid funds were overpaid to a supported living agency that contracted with the Department of Social and Health Services, Developmental Disabilities Administration.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$1,258,250</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$1,258,250	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$1,258,250								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Department partially concurs with finding.</p> <p>The Department processed the payment notice to the Department’s Office of Financial Recovery (OFR) in February 2017.</p> <p>Per federal rules, the Department is not required to refund the federal share of an overpayment made to a provider to the extent that the Department is unable to recover the overpayment because the provider has been determined bankrupt.</p> <p>The provider in question filed for bankruptcy in March 2019. The Department worked with OFR to follow the federal and state rules for financial recovery that pertains to bankruptcy proceedings, and submitted the required information received from the bankruptcy court for the amount owed.</p> <p>As of March 2019, the Department forwarded all court records to the U.S. Department of Health and Human Services.</p>								
		Completion Date:	March 2019								
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>								



Fiscal Year	Finding Number	Finding and Corrective Action Status									
2016	048	Finding:	The Department of Social and Health Services, Aging and Long-Term Care Administration, made improper Medicaid payments to individual providers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$90,685</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$90,685	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$90,685								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the audit finding.</p> <p>The auditors used payment data to identify payments made to individual providers who claimed payment for personal care and mileage services on the same date of service that payment was made to a hospital or long-term care facility. The Department concurs that unallowable payments were made, but it is not known whether payments were incorrectly claimed by the individual providers, rather than the hospital or long term care facility.</p> <p>The audit work was performed during the first three months after the Department's new billing system, Individual ProviderOne (IPOne), went live. During this time, providers were experiencing a learning curve in using the new system, which may have contributed to incorrect claims made during this time period.</p> <p>Since the implementation of the IPOne system, internal controls have strengthened in processing payments to individual providers. It is now easier for the Department to discover incidents when providers are claiming hours for a time period in which a client is in a hospital, long-term care facility, or other institutional setting.</p> <p>As of November 2018, the Department developed a process to research and remediate occurrences of payments made for personal care and mileage services while a client was either hospitalized or admitted to a long-term care facility.</p> <p>By November 2019, the individual provider overpayment functionality in ProviderOne will be implemented. Once overpayments are completed, the Department will consult with the Department of Health and Human Services to discuss repaying of questioned costs.</p>								
		Completion Date:	Estimated November 2019								
		Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2015	037	Finding:	The Health Care Authority overpaid Medicaid providers for dental services.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$25,945</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778 ARRA and non-ARRA</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$25,945	93.777		93.778 ARRA and non-ARRA	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$25,945								
		93.777									
		93.778 ARRA and non-ARRA									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Authority has recouped the unallowable claims paid to dental providers.</p> <p>The Authority will follow its normal finding resolution process with the U.S. Department of Health and Human Services regarding the resolution of questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2014-033 and 2013-027, and 12-53, which the auditors considered resolved.</p>								
		Completion Date:	November 2016								
		Agency Contact:	<p>Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 360-725-9586 <a href="mailto:Keri.kelley@hca.wa.gov">Keri.kelley@hca.wa.gov</a></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Status									
2015	041	Finding:	The Department of Social and Health Services improperly claimed federal reimbursement for payments made on behalf of deceased Medicaid clients.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$22,584</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td>ARRA and non-ARRA</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$22,584	93.777		93.778	ARRA and non-ARRA
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$22,584								
		93.777									
		93.778	ARRA and non-ARRA								
		Status:	Corrective action complete								
		Corrective Action:	<p>This finding involved three administrations within the Department: the Aging and Long Term Support Administration (ALTSA), the Developmental Disabilities Administration, and the Behavioral Health Administration. Each administration has taken or will take corrective action.</p> <p>The audit identified 97 instances of payments made through the Social Service Payment System and ProviderOne for services provided after the client's date of death (ALTSA: 81; DDA: 8; BHA: 8). ALTSA has determined 20 of the 81 payments were for allowable services prior to the client's death. For the remaining 77 payments, the Department has sent overpayment notices to the providers.</p> <p>As of July 2018, the questioned costs were returned to the Center for Medicaid and Medicare Services.</p> <p>The Department's goal for payment of services provided after the date of death is zero, and it seeks to reach that mark. The following processes were implemented to strengthen controls:</p> <ul style="list-style-type: none"><li>• Direct staff to follow policies and procedures to ensure authorization of services is closed by the effective date of death.</li><li>• Generate a monthly Long Term Care Client Payments After Death Report that identifies clients who have authorizations paid after their date of death.</li><li>• Perform post payment review to ensure that any authorizations or payments not identified by the monthly reports are captured and recovered.</li><li>• Ensure overpayments are processed timely and funds returned to the federal grantor.</li><li>• Continue partnership with the Health Care Authority to identify payments after the date of death.</li></ul> <p>The conditions noted in this finding were previously reported in finding and 2014-050 which the auditors considered resolved.</p>								
		Completion Date:	July 2018								
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a>								

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

**State of Washington  
July 1, 2018 through June 30, 2019**

The Honorable Jay Inslee  
State of Washington  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated November 22, 2019.

As discussed in Note 1.D.1 to the financial statements, the statements include pension trust fund investments valued at \$50.29 billion, which comprise 32.6 percent of total assets and 35.4 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

Our report includes a reference to other auditors who audited the financial statements of Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board, as described in our report on the State of Washington's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2019-001 that we consider to be significant deficiencies.

We also noted certain matters that we have reported to the management of the State in a separate letter dated November 22, 2019.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of the State's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## STATE'S RESPONSE TO FINDINGS

The State's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The State's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 22, 2019

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

**State of Washington**  
**July 1, 2018 through June 30, 2019**

The Honorable Jay Inslee  
State of Washington  
Olympia, Washington

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

We have audited the compliance of the State of Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2019. The State's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

The State's basic financial statements include the operations of the Valley Medical Center (legal name is King County Public Hospital District No. 1), which expended \$1,235,465 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Valley Medical Center because they arranged for a separate audit of their federal awards in accordance with the uniform guidance.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the State'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 State'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 State's compliance.

**Basis for Adverse Opinion on Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund)**

As described in Findings 2019-032, 2019-035, 2019-036, 2019-037, 2019-038, and 2019-039 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the State did not comply with requirements regarding its Child Care and Development Fund Cluster program for Eligibility, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Matching, Period of Performance, and Special Tests and Provisions – Health and Safety Requirements. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the program.

**Adverse Opinion on Child Care and Development Fund Cluster (93.575 Child Care and Development Block Grant and 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund)**

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the State did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Child Care and Development Fund Cluster program for the year ended June 30, 2019.



## **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the State 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 other major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures also disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-014, 2019-015, 2019-016, 2019-017, 2019-018, 2019-019, 2019-020, 2019-021, 2019-022, 2019-023, 2019-024, 2019-026, 2019-028, 2019-029, 2019-031, 2019-032, 2019-033, 2019-034, 2019-040, 2019-041, 2019-042, 2019-043, 2019-044, 2019-045, 2019-046, 2019-047, 2019-048, 2019-049, 2019-050, 2019-051, 2019-052, 2019-053, 2019-054, 2019-055, 2019-056, 2019-057, 2019-058, 2019-059, 2019-061, 2019-062, 2019-063, 2019-065, 2019-066, 2019-067, 2019-069, and 2019-070. Our opinion on each major federal program is not modified with respect to these matters.

## **State's Responses to Findings**

The State's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of the State 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 State'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 the Uniform Guidance, 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 State'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 and significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, 2019-016, 2019-017, 2019-018, 2019-019, 2019-021, 2019-022, 2019-023, 2019-025, 2019-026, 2019-027, 2019-028, 2019-031, 2019-032, 2019-033, 2019-034, 2019-035, 2019-036, 2019-037, 2019-039, 2019-041, 2019-043, 2019-044, 2019-045, 2019-046, 2019-047, 2019-048, 2019-051, 2019-052, 2019-053, 2019-054, 2019-057, 2019-058, 2019-059, 2019-060, 2019-061, 2019-062, 2019-064, 2019-065, 2019-066, 2019-067, 2019-068, 2019-069, and 2019-070 to be material weaknesses.

*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 Award Findings and Questioned Costs as Findings 2019-029, 2019-030, and 2019-049 to be significant deficiencies.

## **State's Responses to Findings**

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## 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 the Uniform Guidance. 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.

## REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington as of and for the year ended June 30, 2019, and have issued our report thereon dated November 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Pat McCarthy

State Auditor

Olympia, WA

March 24, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## State of Washington July 1, 2018 through June 30, 2019

The Honorable Jay Inslee  
State of Washington  
Olympia, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues / Additions
Governmental Activities	12.6%	25.3%	7.9%
Business-Type Activities	76.4%	100.0%	44.2%
Higher Education Special Revenue Fund	46.1%	43.8%	45.2%
Higher Education Endowment Fund	97.0%	96.8%	95.3%
Higher Education Student Services Fund	71.0%	100.0%	83.9%
Workers' Compensation Fund	93.7%	100.0%	35.1%
Aggregate Discretely Presented Component Units and Remaining Fund Information	95.9%	96.6%	89.9%

Those statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities and funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Matters of Emphasis

As discussed in Note 1.D.1, the financial statements include pension trust fund investments valued at \$50.3 billion, which comprise 32.6 percent of total assets and 35.5 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.


## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

November 22, 2019

## FINANCIAL SECTION

### State of Washington July 1, 2018 through June 30, 2019

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2019

Statement of Activities – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental  
Funds – 2019

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental  
Funds – 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
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# MD&A

## Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by \$26.71 billion (reported as net position). Of this amount, \$(12.89) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.
- The state of Washington's governmental funds reported a combined ending fund balance of \$19.53 billion, a decrease of 0.3 percent compared with the prior year.
- The state's capital assets increased by \$817.2 million, total bond debt increased by \$69.0 million, and the state's net investment in capital assets is \$23.17 billion.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden the basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

**Statement of Net Position.** The Statement of Net Position presents information on all of the state of Washington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

**Statement of Activities.** The Statement of Activities presents information showing how the state's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, and various higher education student services such as housing and dining.

#### FUND FINANCIAL STATEMENTS

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A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, data processing services, risk management, and employee health insurance. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial

statements, but in greater detail. The proprietary fund financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, and the Higher Education Student Services Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report.

**Component Units.** Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports three major component units: the Valley Medical Center, the Washington State Public Stadium Authority, and the Health Benefit Exchange, as well as four nonmajor component units.

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## NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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## OTHER INFORMATION

This report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

The combining statements referred to earlier are presented immediately following the required supplementary information.

STATE OF WASHINGTON  
**Statement of Net Position**  
*(in millions of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 31,459	\$ 30,477	\$ 28,340	\$ 27,237	\$ 59,799	\$ 57,714
Capital assets	41,781	41,044	3,415	3,336	45,196	44,380
Total assets	73,240	71,521	31,755	30,573	104,995	102,094
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	1,459	1,108	200	171	1,659	1,279
<b>LIABILITIES</b>						
Current and other liabilities	6,138	5,910	1,091	1,167	7,229	7,077
Long-term liabilities outstanding	34,827	35,986	34,179	33,532	69,006	69,518
Total liabilities	40,965	41,896	35,270	34,699	76,235	76,595
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,322	1,819	386	189	3,708	2,008
<b>NET POSITION</b>						
Net investment in capital assets	22,261	21,749	911	847	23,172	22,596
Restricted	11,358	11,328	5,068	4,825	16,427	16,153
Unrestricted	(3,207)	(4,163)	(9,679)	(9,816)	(12,886)	(13,979)
Total net position	<u>\$ 30,412</u>	<u>\$ 28,914</u>	<u>\$ (3,700)</u>	<u>\$ (4,144)</u>	<u>\$ 26,712</u>	<u>\$ 24,770</u>

Note: The 2018 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2018 amounts was not available. Refer to Note 2 Accounting, Reporting, and Entity Changes.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$26.71 billion at June 30, 2019, as compared to \$24.77 billion as reported at June 30, 2018.

The largest portion of the state's net position (86.7 percent for fiscal year 2019 as compared to 91.2 percent for fiscal year 2018) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets) less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (61.5 percent for fiscal year 2019 as compared to 65.2 percent for fiscal year 2018) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(12.89) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position increased from \$28.91 billion in fiscal year 2018 to \$30.41 billion in fiscal year 2019. The increase reflects increases in investment earnings and tax revenues that outpaced the increases in expenses.

In business-type activities, the deficit is caused by the workers' compensation program that provides time-loss, medical, disability, and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles.

The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

STATE OF WASHINGTON						
Changes in Net Position						
(in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 6,772	\$ 7,170	\$ 8,343	\$ 7,920	\$ 15,116	\$ 15,090
Operating grants and contributions	16,728	16,120	65	66	16,793	16,186
Capital grants and contributions	807	973	1	—	808	973
General revenues:						
Taxes	26,012	24,863	22	23	26,034	24,886
Interest and investment earnings (loss)	646	561	1,681	502	2,327	1,063
Total revenues	50,964	49,688	10,112	8,510	61,077	58,198
<b>EXPENSES</b>						
General government	(1,491)	(1,687)	—	—	(1,491)	(1,687)
Education - K-12	(13,872)	(12,012)	—	—	(13,872)	(12,012)
Education - Higher education	(7,985)	(7,662)	—	—	(7,985)	(7,662)
Human services	(19,822)	(18,863)	—	—	(19,822)	(18,863)
Adult corrections	(1,142)	(1,067)	—	—	(1,142)	(1,067)
Natural resources and recreation	(1,351)	(1,184)	—	—	(1,351)	(1,184)
Transportation	(2,809)	(2,485)	—	—	(2,809)	(2,485)
Interest on long-term debt	(1,032)	(1,002)	—	—	(1,032)	(1,002)
Workers' compensation	—	—	(3,975)	(3,690)	(3,975)	(3,690)
Unemployment compensation	—	—	(963)	(935)	(963)	(935)
Higher education student services	—	—	(3,330)	(3,119)	(3,330)	(3,119)
Other business-type activities	—	—	(1,169)	(918)	(1,169)	(918)
Total expenses	(49,504)	(45,962)	(9,437)	(8,662)	(58,941)	(54,624)
Excess (deficiency) of revenues over expenses before contributions						
to endowments and transfers	1,460	3,726	676	(152)	2,136	3,574
Contributions to endowments	152	109	—	—	152	109
Transfers	217	152	(217)	(152)	—	—
Increase (decrease) in net position	1,828	3,986	459	(304)	2,288	3,683
Net position - July 1, as restated	28,584	24,928	(4,159)	(3,840)	24,424	21,087
Net position - June 30	\$ 30,412	\$ 28,914	\$ (3,700)	\$ (4,144)	\$ 26,712	\$ 24,770

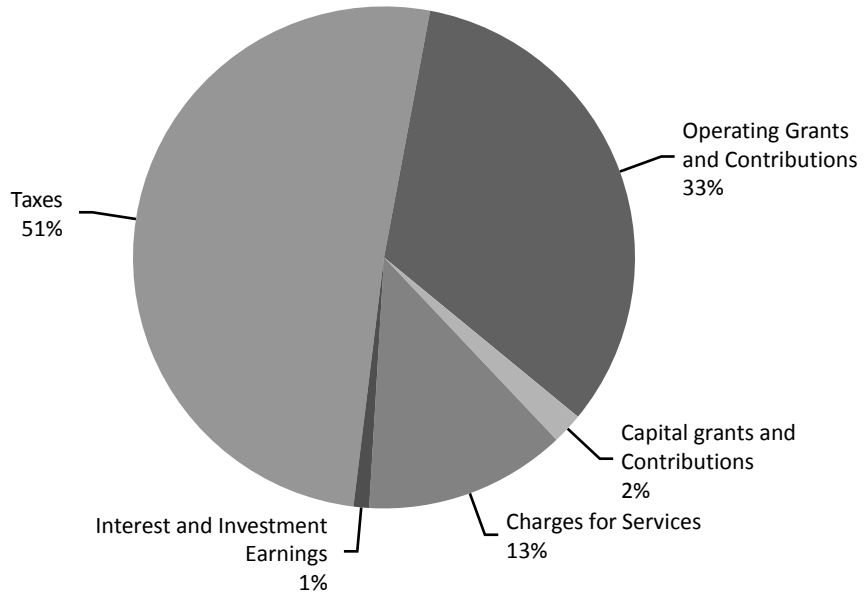
**Governmental Activities.** Governmental activities resulted in an increase in the state of Washington's net position of \$1.83 billion. A number of factors were in play including increases in tax revenues and spending on K-12 education and human services.

- Tax revenues increased by \$1.15 billion in fiscal year 2019 as compared to fiscal year 2018 reflecting positive growth in the economy. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of \$952.2 million. Business and occupation tax increased by \$269.2 million. Property tax revenue increased by \$15.5 million as property values continue to rise. Real estate excise tax revenue increased by \$36.0 million. Real estate excise taxes are levied on the sale of real estate.
- Operating grants and contributions grew by \$607.9 million in fiscal year 2019 compared with 2018 and were matched with an increase in human services operating grant expenses.
- Expenses grew by \$1.86 billion for K-12 education in 2019 as compared to fiscal year 2018. This is the State's continued commitment to meet the needs of K-12 education.

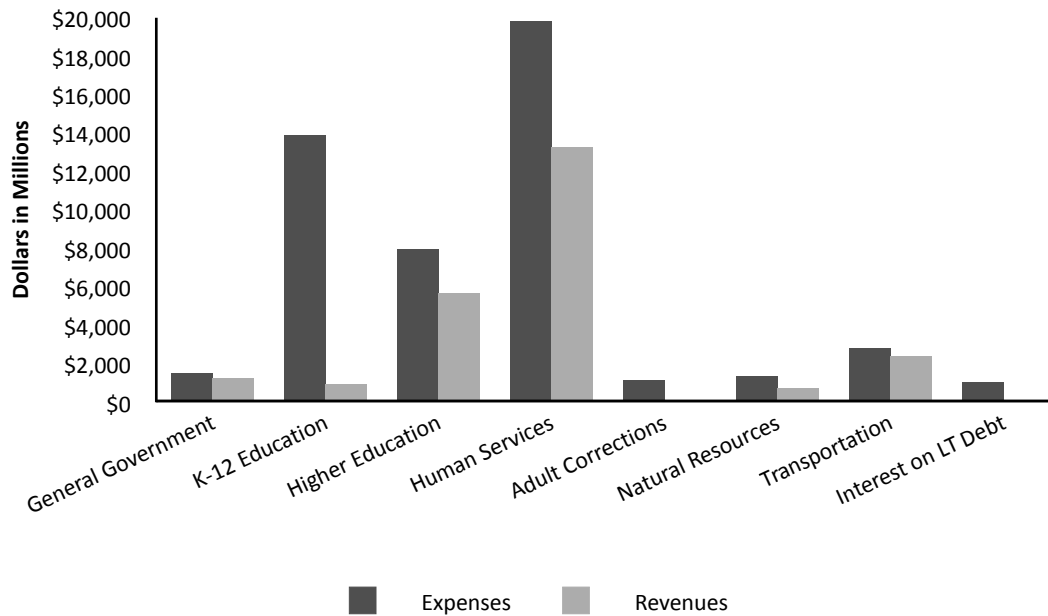
**Business-Type Activities.** Business-type activities increased the state of Washington's net position by \$459.4 million. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity increase in net position in fiscal year 2019 was \$147.7 million compared to a decrease of \$654.0 million in fiscal year 2018. Claim costs increased by \$256.6 million in fiscal year 2019 compared with fiscal year 2018, reflecting an increase in the number of time-loss claims. Investment income increased by \$1.20 billion as compared to fiscal year 2018. The workers' compensation portfolio is 84.9 percent debt securities.
- The unemployment compensation activity reported operating income in fiscal year 2019 of \$134.6 million compared to \$144.9 million in fiscal year 2018. Unemployment insurance benefits increased by \$28.1 million in fiscal year 2019 over fiscal year 2018. The unemployment rate for the state for June 2019 was 4.6 percent, a slight increase from June 2018.
- The Higher Education Student Services activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.

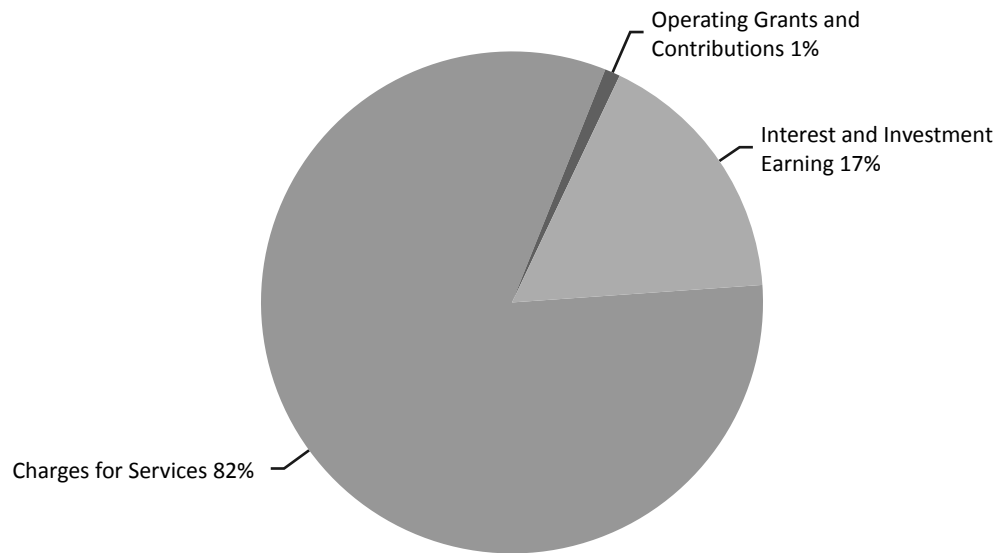
### Revenues by Source: Governmental Activities



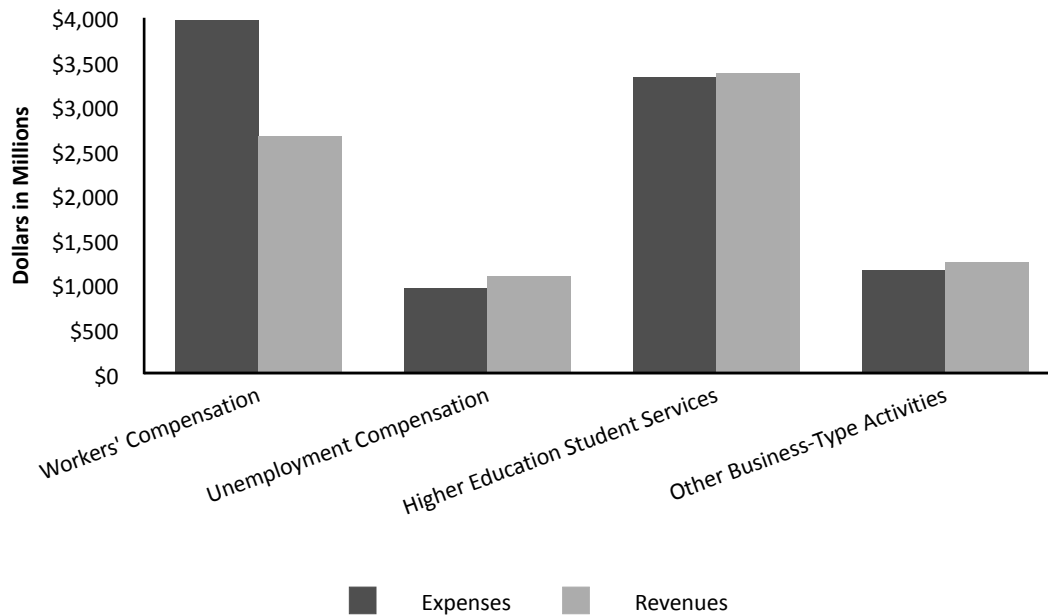
### Program Revenues and Expenses: Governmental Activities



### Revenues by Source: Business-Type Activities



### Program Revenues and Expenses: Business-Type Activities





## Financial Analysis of the State's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements.

**Fund Balances.** At June 30, 2019, the state's governmental funds reported combined ending fund balances of \$19.53 billion. Of this amount, \$2.86 billion or 14.6 percent is nonspendable, either due to its form or legal constraints; and \$6.51 billion or 33.4 percent is restricted for specific

programs by external constraints, constitutional provisions, or contractual obligations. An additional \$7.65 billion or 39.2 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$1.52 billion or 7.8 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. The fund balance decreased by \$580.5 million in fiscal year 2019, as compared to a \$1.23 billion gain in fiscal year 2018. Increased revenues from taxes and spending increases in K-12 education and social and health services were the key contributing factors. Assigned fund balance of \$1.42 billion is reported for fiscal year 2019 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON			
General Fund			
(in millions of dollars)			
	Fiscal Year		Difference Increase (Decrease) 2019 - 2018
	2019	2018	
<b>REVENUES</b>			
Taxes	\$ 21,801	\$ 21,244	\$ 557
Federal grants	13,296	13,013	283
Investment revenue (loss)	114	1	113
Other	852	920	(68)
Total	36,063	35,178	885
<b>EXPENDITURES</b>			
Human services	19,754	18,686	1,068
Education	14,762	13,067	1,695
Other	1,710	1,585	125
Total	36,226	33,338	2,888
Net transfers in (out)	(598)	(674)	76
Other financing sources	180	63	117
Net increase (decrease) in fund balance	\$ (581)	\$ 1,229	\$ (1,810)

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

In addition to the General Fund, the state reports the Higher Education Special Revenue and the Higher Education Endowment Funds as major governmental funds. Significant changes in these funds are as follows:

- The change in fund balance of the Higher Education Special Revenue Fund in fiscal year 2019 was an increase of \$1.10 billion compared to an increase of \$162.3 million in fiscal year 2018.
- The fund balance for the Higher Education Endowment Fund increased by \$271.6 million in fiscal year 2019. The increase is a result of positive growth in investment earnings.

**Proprietary Funds.** The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2019 are as follows:

- The Workers' Compensation Fund reported an increase in net position of \$147.7 million in fiscal year 2019. Operating revenues decreased by \$108.3 million and operating expenses increased by \$285.7 million as compared to fiscal year 2018. Investment income increased \$1.20 billion over fiscal year 2018.
- Washington's Unemployment Compensation Fund reported an increase in net position of \$242.8 million. While unemployment benefit claims expense increased by \$28.1 million in fiscal year 2019 as compared to 2018, unemployment premiums and assessments increased by \$23.4 million in fiscal year 2019 as compared to 2018. Investment income increased by \$10.2 million over fiscal year 2018. This resulted in net position increasing about the same amount as in fiscal year 2018.
- The Higher Education Student Services Fund and the nonmajor enterprise funds reported consistent activity when compared to the prior year.

## General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by \$2.98 billion over the course of the biennium. The major increase in estimated resources is additional property tax, sales tax, and federal grants-in-aid.
- Appropriated expenditure authority increased by \$4.07 billion over the course of the biennium to address increases in the state's mental health, children services programs, and education.

The state did not overspend its legal spending authority for the 2017-19 biennium. Actual General Fund revenues and expenditures were 100.7 and 99.2 percent of final budgeted

resources and appropriations, respectively, for the 2017-19 biennium.

## Capital Assets, Infrastructure, and Bond Debt Administration

**Capital Assets.** The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$45.20 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2019 investment in capital assets, net of current year depreciation, increased \$826.7 million over fiscal year 2018, including increases to the state's transportation infrastructure of \$508.7 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total \$3.61 billion.

Additional information on the state of Washington's capital assets can be found in Note 6.

**Infrastructure.** The state of Washington uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,815 pavement lane miles, 3,932 bridges and tunnels, and 47 highway safety rest areas. The total count of bridges includes vehicular bridges of all lengths, pedestrian bridges, and tunnels. The count of bridges this year increased because in previous years only vehicular bridges over 20 feet in length were included. Infrastructure asset categories are assessed on a two-year cycle, either on a calendar year or fiscal year basis.

In the past two fiscal years, the state has invested more resources for the preservation and maintenance of pavement, but less for bridges and safety rest areas than was planned.

STATE OF WASHINGTON  
**Capital Assets - Net of Depreciation**  
*(in millions of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 *	2019	2018 *	2019	2018 *
Land	\$ 2,817	\$ 2,767	\$ 74	\$ 71	\$ 2,891	\$ 2,838
Transportation infrastructure and other assets not depreciated	25,685	25,146	5	5	25,690	25,151
Buildings	8,769	8,640	2,848	2,532	11,617	11,172
Furnishings, equipment, and intangible assets	2,209	2,087	174	196	2,383	2,283
Other improvements and infrastructure	1,355	1,363	83	74	1,438	1,437
Construction in progress	946	1,032	231	457	1,177	1,489
Total	<u>\$ 41,781</u>	<u>\$ 41,035</u>	<u>\$ 3,415</u>	<u>\$ 3,335</u>	<u>\$ 45,196</u>	<u>\$ 44,370</u>

\*Prior year balances restated for comparability

The state of Washington's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information. In 2018, the Washington State Department of Transportation updated its Capital Assets - Infrastructure Policy to report the average of the three most recent assessment periods, as opposed to just the most recent period.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 93.1 percent in fair or better condition. For fiscal year 2019, actual maintenance and preservation expenditures were 18.3 percent higher than planned; however, over the past five fiscal years, the actual expenditures were 1.8 percent lower than planned.

The most recent condition assessment of bridges over 20 feet in length indicates that 92.9 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 92.3 percent in good or fair condition. For fiscal year 2019, the actual maintenance and preservation expenditures were 19.5 percent lower than planned, and over the past five fiscal years, the actual expenditures were 14.9 percent lower than planned.

**Bond Debt.** At the end of fiscal year 2019, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of \$19.73 billion, an increase of 0.6 percent from fiscal year 2018. This

debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$15.75 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the state Constitution. The aggregate debt contracted by the state as of June 30, 2019, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.3 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2013-2018 is \$18.31 billion. The debt service limitation, 8.3 percent of this mean, is \$1.51 billion. The state's maximum annual debt service as of June 30, 2019, subject to the constitutional debt limitation is \$1.19 billion, or \$316.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the statistical section of this report or the Report on the State of Washington's Debt Limitation, available from the Office of the State Treasurer at <https://tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-2019-final.pdf>.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairperson.

As of June 30, 2019, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group, and AA+ by Fitch Ratings.

STATE OF WASHINGTON

**Bond Debt**

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation (GO) bonds	\$ 19,333	\$ 19,181	\$ —	\$ —	\$ 19,333	\$ 19,181
Accreted interest on zero interest rate GO bonds	401	433	—	—	401	433
Revenue bonds	2,188	2,297	2,137	2,141	4,325	4,438
Unamortized premium on bonds sold	1,798	1,731	180	185	1,978	1,916
Total	<u>\$ 23,720</u>	<u>\$ 23,642</u>	<u>\$ 2,317</u>	<u>\$ 2,326</u>	<u>\$ 26,037</u>	<u>\$ 25,968</u>

The state had revenue debt outstanding at June 30, 2019, of \$4.33 billion, a decrease of \$112.9 million over fiscal year 2018. The decrease is primarily related to the state colleges and universities not issuing as many revenue bonds as in prior years. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exceptions are the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling \$227.9 million were refunded during the year. Washington's refunding activity produced \$71.1 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7.

## Conditions with Expected Future Impact

**Economic Outlook.** Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information technology, health, business, and financial services. Washington's expanding economy, accelerated gains in hiring, and strong housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

**Rainy Day Account.** In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the Washington Constitution and establishing the Budget Stabilization Account (BSA). The state's Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 30, 2019, \$1.87 billion was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2019, by three-fifths vote of each house, the Legislature appropriated \$64.8 million from the BSA for additional state expenditures, emergency fire service mobilization, fire suppression, and fire damage recovery costs. In addition, the Legislature transferred \$462.6 million of extraordinary revenue growth to the pension stabilization account to be used only for the cost of state employer contributions to state pension systems. The BSA had a fund balance of \$1.62 billion as of June 30, 2019.

## Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

# Statement of Net Position

June 30, 2019

(expressed in thousands)

Continued

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	\$ 9,475,553	\$ 7,857,141	\$ 17,332,694	\$ 195,371
Taxes receivable (net of allowance for uncollectibles)	5,111,471	405	5,111,876	—
Other receivables (net of allowance for uncollectibles)	2,231,308	1,893,999	4,125,307	108,238
Internal balances	180,056	(180,056)	—	—
Due from other governments	4,411,343	114,823	4,526,166	—
Inventories and prepaids	120,712	61,704	182,416	28,144
Restricted cash and investments	417,552	20,312	437,864	—
Restricted receivables, current	35,578	57,165	92,743	—
Investments, noncurrent	7,078,962	18,192,885	25,271,847	96,299
Restricted investments, noncurrent	—	29,746	29,746	53,485
Restricted receivables, noncurrent	—	178	178	—
Restricted net pension asset	2,396,648	626	2,397,274	—
Other assets	—	291,241	291,241	397,112
Capital assets:				
Non-depreciable assets	29,447,978	309,832	29,757,810	82,274
Depreciable assets (net of accumulated depreciation)	12,333,173	3,105,667	15,438,840	562,278
Total capital assets	41,781,151	3,415,499	45,196,650	644,552
Total Assets	73,240,334	31,755,668	104,996,002	1,523,201
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on asset retirement obligations	12,867	—	12,867	—
Deferred outflows on refundings	4,597	35,865	40,462	16,119
Deferred outflows on pensions	1,140,626	121,493	1,262,119	2,635
Deferred outflows on OPEB	300,509	42,916	343,425	172
Total Deferred Outflows of Resources	1,458,599	200,274	1,658,873	18,926
Total Assets and Deferred Outflows of Resources	\$ 74,698,933	\$ 31,955,942	\$ 106,654,875	\$ 1,542,127

The notes to the financial statements are an integral part of this statement.

# Statement of Net Position

June 30, 2019

(expressed in thousands)

Concluded

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 2,123,533	\$ 236,025	\$ 2,359,558	\$ 37,864
Accrued liabilities	1,633,726	666,368	2,300,094	142,973
Obligations under security lending agreements	—	80,674	80,674	—
Due to other governments	1,862,941	42,127	1,905,068	—
Unearned revenues	517,568	64,958	582,526	9,077
Long-term liabilities:				
Due within one year	2,029,305	2,471,698	4,501,003	12,379
Due in more than one year	32,797,551	31,707,635	64,505,186	353,709
Total Liabilities	40,964,624	35,269,485	76,234,109	556,002
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on hedging derivatives	667	—	667	—
Deferred inflows on refundings	1,196	355	1,551	—
Deferred inflows on pensions	1,507,476	139,032	1,646,508	3,462
Deferred inflows on OPEB	1,762,470	247,047	2,009,517	1,371
Deferred inflows on irrevocable split interest agreements	50,260	—	50,260	—
Deferred inflows on property taxes	—	—	—	23,849
Total Deferred Inflows of Resources	3,322,069	386,434	3,708,503	28,682
NET POSITION				
Net investment in capital assets	22,261,264	911,294	23,172,558	358,069
Restricted for:				
Unemployment compensation	—	5,066,859	5,066,859	—
Nonexpendable permanent endowments	2,733,299	—	2,733,299	—
Expendable endowment funds	1,852,068	—	1,852,068	—
Pensions	2,112,195	541	2,112,736	—
Wildlife and natural resources	1,141,073	—	1,141,073	—
Transportation	887,662	—	887,662	—
Budget stabilization	1,618,449	—	1,618,449	—
Higher education	75,728	—	75,728	—
Other purposes	937,897	—	937,897	3,679
Unrestricted	(3,207,395)	(9,678,671)	(12,886,066)	595,695
Total Net Position	30,412,240	(3,699,977)	26,712,263	957,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 74,698,933	\$ 31,955,942	\$ 106,654,875	\$ 1,542,127

The notes to the financial statements are an integral part of this statement.

**Statement of Activities**  
For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 1,491,406	\$ 972,208	\$ 279,523	\$ 14,699
Education - K-12 education	13,872,211	20,832	944,902	—
Education - higher education	7,985,388	3,046,245	2,575,669	48,642
Human services	19,821,727	774,927	12,485,374	—
Adult corrections	1,141,673	9,162	3,318	—
Natural resources and recreation	1,350,923	525,396	194,556	36,453
Transportation	2,808,817	1,423,518	244,413	707,054
Interest on long-term debt	1,032,354	—	—	—
Total Governmental Activities	49,504,499	6,772,288	16,727,755	806,848
Business-Type Activities:				
Workers' compensation	3,975,266	2,666,395	10,267	—
Unemployment compensation	963,164	1,061,630	36,173	—
Higher education student services	3,330,255	3,354,700	18,354	925
Washington's lottery	597,621	806,106	—	—
Guaranteed education tuition program	369,867	45,423	—	—
Paid family and medical leave	18,255	231,774	—	—
Other	182,148	177,187	475	—
Total Business-Type Activities	9,436,576	8,343,215	65,269	925
Total Primary Government	\$ 58,941,075	\$ 15,115,503	\$ 16,793,024	\$ 807,773
Total Component Units	\$ 787,518	\$ 801,597	\$ 34,497	\$ —

**General Revenues:**

Taxes, net of related credits:  
Sales and use  
Business and occupation  
Property  
Motor vehicle and fuel  
Excise  
Cigarette and tobacco  
Public utilities  
Insurance premium  
Other  
Interest and investment earnings

**Total general revenues**

Excess (deficiency) of revenues over expenses before  
contributions to endowments and transfers  
Contributions to endowments  
Transfers  
Change in Net Position

**Net Position - Beginning, as restated**

**Net Position - Ending**

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (224,976)	\$ —	\$ (224,976)	
(12,906,477)	—	(12,906,477)	
(2,314,832)	—	(2,314,832)	
(6,561,426)	—	(6,561,426)	
(1,129,193)	—	(1,129,193)	
(594,518)	—	(594,518)	
(433,832)	—	(433,832)	
(1,032,354)	—	(1,032,354)	
(25,197,608)	—	(25,197,608)	
—	(1,298,604)	(1,298,604)	
—	134,639	134,639	
—	43,724	43,724	
—	208,485	208,485	
—	(324,444)	(324,444)	
—	213,519	213,519	
—	(4,486)	(4,486)	
—	(1,027,167)	(1,027,167)	
\$ (25,197,608)	\$ (1,027,167)	\$ (26,224,775)	

\$ 48,576

12,106,216	—	12,106,216	—
4,451,985	—	4,451,985	—
3,362,573	—	3,362,573	23,258
1,671,195	—	1,671,195	—
1,635,542	22,267	1,657,809	—
397,048	—	397,048	—
482,445	—	482,445	—
640,136	—	640,136	—
1,264,531	—	1,264,531	979
645,865	1,680,823	2,326,688	12,145
26,657,536	1,703,090	28,360,626	36,382
1,459,928	675,923	2,135,851	84,958
151,943	—	151,943	—
216,528	(216,528)	—	—
1,828,399	459,395	2,287,794	84,958
28,583,841	(4,159,372)	24,424,469	872,485
\$ 30,412,240	\$ (3,699,977)	\$ 26,712,263	\$ 957,443



# Balance Sheet

## GOVERNMENTAL FUNDS

June 30, 2019

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,356,205	\$ 779,192	\$ 576,077	\$ 3,572,778	\$ 8,284,252
Investments	91,808	2,414,865	4,478,036	282,843	7,267,552
Taxes receivable (net of allowance)	4,845,644	29,342	—	236,485	5,111,471
Receivables (net of allowance)	698,814	498,203	37,761	932,690	2,167,468
Due from other funds	390,910	1,060,697	726	405,248	1,857,581
Due from other governments	1,543,155	226,046	—	2,490,824	4,260,025
Inventories and prepaids	14,375	31,010	—	46,678	92,063
Restricted cash and investments	18,883	132	—	208,054	227,069
Restricted receivables	6,916	19,659	—	6,015	32,590
<b>Total Assets</b>	<b>\$ 10,966,710</b>	<b>\$ 5,059,146</b>	<b>\$ 5,092,600</b>	<b>\$ 8,181,615</b>	<b>\$ 29,300,071</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 1,457,470	\$ 102,478	\$ 41,772	\$ 474,394	\$ 2,076,114
Accrued liabilities	416,396	516,509	63,085	182,637	1,178,627
Due to other funds	284,210	169,335	515,282	630,037	1,598,864
Due to other governments	1,396,893	46,895	—	204,591	1,648,379
Unearned revenue	155,987	241,884	—	115,361	513,232
Claims and judgments payable	51,884	—	—	145,946	197,830
<b>Total Liabilities</b>	<b>3,762,840</b>	<b>1,077,101</b>	<b>620,139</b>	<b>1,752,966</b>	<b>7,213,046</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	2,354,349	11,475	11,465	130,226	2,507,515
Deferred inflows on hedging derivatives	—	—	—	667	667
Deferred inflows on irrevocable split interest agreements	—	—	50,260	—	50,260
<b>Total Deferred Inflows of Resources</b>	<b>2,354,349</b>	<b>11,475</b>	<b>61,725</b>	<b>130,893</b>	<b>2,558,442</b>
<b>FUND BALANCES</b>					
Nonspendable fund balance	49,614	31,010	2,513,961	266,017	2,860,602
Restricted fund balance	1,699,486	43,808	1,896,775	2,872,808	6,512,877
Committed fund balance	684,619	3,788,452	—	3,181,099	7,654,170
Assigned fund balance	1,416,952	107,300	—	—	1,524,252
Unassigned fund balance	998,850	—	—	(22,168)	976,682
<b>Total Fund Balances</b>	<b>4,849,521</b>	<b>3,970,570</b>	<b>4,410,736</b>	<b>6,297,756</b>	<b>19,528,583</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,966,710</b>	<b>\$ 5,059,146</b>	<b>\$ 5,092,600</b>	<b>\$ 8,181,615</b>	<b>\$ 29,300,071</b>

The notes to the financial statements are an integral part of this statement.

# Reconciliation of the Balance Sheet to the Statement of Net Position GOVERNMENTAL FUNDS

June 30, 2019  
(expressed in thousands)

<b>Total Fund Balances for Governmental Funds</b>	\$	19,528,583
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Non-depreciable assets	\$	29,439,150	
Depreciable assets		22,484,932	
Less: Accumulated depreciation		(10,944,632)	
Total capital assets			40,979,450

Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.	2,507,515
--	-----------

Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.	2,396,648
--	-----------

Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.	1,376,672
--	-----------

Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.	(3,121,581)
---	-------------

Unmatured interest on general obligation bonds is not recognized in the funds until due.	(400,455)
--	-----------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	(182,659)
---	-----------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and other financing contracts payable	\$	(23,447,031)	
Accreted interest on bonds		(401,153)	
Compensated absences		(661,378)	
Other postemployment benefits obligations		(4,283,808)	
Net pension liability		(3,113,148)	
Unclaimed property		(243,568)	
Pollution remediation obligations		(132,838)	
Claims and judgments		(36,945)	
Asset retirement obligation		(25,168)	
Other obligations		(326,896)	
Total long-term liabilities			(32,671,933)

<b>Net Position of Governmental Activities</b>	\$	<u>30,412,240</u>
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The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenditures, and Changes in Fund Balances

## GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
<b>REVENUES</b>					
Retail sales and use taxes	\$ 11,952,070	\$ —	\$ —	\$ 154,146	\$ 12,106,216
Business and occupation taxes	4,447,626	—	—	4,359	4,451,985
Property taxes	2,339,469	1,019,116	—	—	3,358,585
Excise taxes	1,146,348	48,599	—	440,595	1,635,542
Motor vehicle and fuel taxes	—	—	—	1,671,195	1,671,195
Other taxes	1,915,048	373,381	—	324,155	2,612,584
Licenses, permits, and fees	130,170	1,096	—	1,894,045	2,025,311
Other contracts and grants	295,579	1,122,786	—	152,946	1,571,311
Timber sales	1,715	—	12,129	142,971	156,815
Federal grants-in-aid	13,295,781	1,463,827	—	1,203,683	15,963,291
Charges for services	50,455	2,778,576	—	727,419	3,556,450
Investment income (loss)	114,079	123,752	281,069	126,965	645,865
Miscellaneous revenue	300,242	159,117	2,047	550,304	1,011,710
Contributions and donations	—	—	151,943	—	151,943
Unclaimed property	74,631	—	—	—	74,631
<b>Total Revenues</b>	<b>36,063,213</b>	<b>7,090,250</b>	<b>447,188</b>	<b>7,392,783</b>	<b>50,993,434</b>
<b>EXPENDITURES</b>					
Current:					
General government	949,237	25	158	606,289	1,555,709
Human services	19,754,162	13,918	—	1,132,975	20,901,055
Natural resources and recreation	481,612	—	—	850,803	1,332,415
Transportation	55,600	—	—	2,288,971	2,344,571
Education	14,762,434	5,899,077	960	649,639	21,312,110
Intergovernmental	132,029	—	—	404,921	536,950
Capital outlays	74,041	231,122	1,301	1,797,940	2,104,404
Debt service:					
Principal	13,155	40,317	—	1,126,984	1,180,456
Interest	3,528	28,809	—	1,038,049	1,070,386
<b>Total Expenditures</b>	<b>36,225,798</b>	<b>6,213,268</b>	<b>2,419</b>	<b>9,896,571</b>	<b>52,338,056</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(162,585)</b>	<b>876,982</b>	<b>444,769</b>	<b>(2,503,788)</b>	<b>(1,344,622)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bonds issued	177,390	27,728	—	994,170	1,199,288
Issuance premiums	649	6,324	—	164,477	171,450
Other debt issued	2,228	30,449	—	6,338	39,015
Refunding COPs issued	—	10,634	—	3,265	13,899
Transfers in	730,602	956,957	35,802	2,881,991	4,605,352
Transfers out	(1,328,827)	(809,044)	(208,956)	(2,073,534)	(4,420,361)
<b>Total Other Financing Sources (Uses)</b>	<b>(417,958)</b>	<b>223,048</b>	<b>(173,154)</b>	<b>1,976,707</b>	<b>1,608,643</b>
<b>Net Change in Fund Balances</b>	<b>(580,543)</b>	<b>1,100,030</b>	<b>271,615</b>	<b>(527,081)</b>	<b>264,021</b>
<b>Fund Balances - Beginning, as restated</b>	<b>5,430,064</b>	<b>2,870,540</b>	<b>4,139,121</b>	<b>6,824,837</b>	<b>19,264,562</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,849,521</b>	<b>\$ 3,970,570</b>	<b>\$ 4,410,736</b>	<b>\$ 6,297,756</b>	<b>\$ 19,528,583</b>

The notes to the financial statements are an integral part of this statement.

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	264,021
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 1,472,256	
Less: Depreciation expense	<u>(708,126)</u>	764,130

Some revenues in the Statement of Activities do not provide current financial resources, and therefore are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.	134,845
--	---------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.	(8,408)
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Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:

Bonds and other financing contracts issued	\$ (1,415,603)	
Principal payments on bonds and other financing contracts	1,305,167	
Accreted interest on bonds	<u>32,219</u>	(78,217)

Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:

Compensated absences	\$ (21,336)	
Other postemployment benefits	(178,743)	
Pensions	883,084	
Pollution remediation	18,576	
Claims and judgments	4,250	
Accrued interest	463	
Unclaimed property	(5,794)	
Asset retirement obligations	(1,326)	
Other obligations	<u>52,854</u>	752,028

<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>1,828,399</u></u>
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The notes to the financial statements are an integral part of this statement.

# Statement of Net Position

## PROPRIETARY FUNDS

June 30, 2019

(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 58,432	\$ 4,704,195	\$ 774,502
Investments	2,076,663	—	20,138
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	867,000	435,275	375,277
Due from other funds	467	3,197	124,303
Due from other governments	1,463	25,879	66,742
Inventories	163	—	41,613
Prepaid expenses	4,370	—	5,285
Restricted cash and investments	405	—	19,907
Restricted receivables	—	—	57,165
<b>Total Current Assets</b>	<b>3,008,963</b>	<b>5,168,546</b>	<b>1,484,932</b>
<b>Noncurrent Assets:</b>			
Investments, noncurrent	16,496,600	—	269,945
Restricted investments, noncurrent	—	—	29,746
Restricted receivables, noncurrent	—	—	178
Restricted net pension asset	—	—	626
Other noncurrent assets	4,482	—	205,012
<b>Capital assets:</b>			
Land and other non-depreciable assets	3,204	—	73,757
Buildings	65,111	—	4,300,987
Other improvements	1,289	—	115,413
Furnishings, equipment, and intangibles	107,913	—	866,649
Infrastructure	—	—	59,411
Accumulated depreciation	(134,200)	—	(2,305,271)
Construction in progress	8,123	—	195,316
<b>Total Noncurrent Assets</b>	<b>16,552,522</b>	<b>—</b>	<b>3,811,769</b>
<b>Total Assets</b>	<b>19,561,485</b>	<b>5,168,546</b>	<b>5,296,701</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows on refundings	—	—	35,803
Deferred outflows on pensions	27,785	—	80,783
Deferred outflows on OPEB	10,177	—	24,512
<b>Total Deferred Outflows of Resources</b>	<b>37,962</b>	<b>—</b>	<b>141,098</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 19,599,447</b>	<b>\$ 5,168,546</b>	<b>\$ 5,437,799</b>

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Enterprise Funds		Governmental Activities	
		Total	Internal Service Funds
\$	140,237	\$ 5,677,366	\$ 950,853
	82,974	2,179,775	10,169
	405	405	—
	216,447	1,893,999	63,840
	19,879	147,846	112,425
	7,065	101,149	41,938
	9,965	51,741	15,620
	308	9,963	13,029
	—	20,312	190,483
	—	57,165	2,988
	477,280	10,139,721	1,401,345
	1,426,340	18,192,885	41,689
	—	29,746	—
	—	178	—
	—	626	—
	81,747	291,241	—
	1,540	78,501	7,559
	12,828	4,378,926	608,673
	5,778	122,480	15,122
	35,353	1,009,915	1,017,326
	—	59,411	2,170
	(25,594)	(2,465,065)	(850,419)
	27,892	231,331	1,267
	1,565,884	21,930,175	843,387
	2,043,164	32,069,896	2,244,732
	62	35,865	3,081
	12,925	121,493	61,321
	8,227	42,916	17,526
	21,214	200,274	81,928
\$	2,064,378	\$ 32,270,170	\$ 2,326,660

# Statement of Net Position PROPRIETARY FUNDS

June 30, 2019

(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 10,886	\$ —	\$ 205,397
Accrued liabilities	284,944	75,208	303,256
Obligations under security lending agreements	58,469	—	—
Bonds and notes payable	—	—	139,583
Net pension liability	34	—	747
Total OPEB liability	2,132	—	8,454
Due to other funds	9,195	3,267	291,728
Due to other governments	—	23,212	2,433
Unearned revenue	8,380	—	53,982
Claims and judgments payable	2,155,389	—	—
<b>Total Current Liabilities</b>	<b>2,529,429</b>	<b>101,687</b>	<b>1,005,580</b>
<b>Noncurrent Liabilities:</b>			
Claims and judgments payable	27,011,430	—	—
Bonds and notes payable	—	—	2,437,025
Net pension liability	88,617	—	273,296
Total OPEB liability	113,963	—	451,983
Other long-term liabilities	7,238	—	93,284
<b>Total Noncurrent Liabilities</b>	<b>27,221,248</b>	<b>—</b>	<b>3,255,588</b>
<b>Total Liabilities</b>	<b>29,750,677</b>	<b>101,687</b>	<b>4,261,168</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on refundings	—	—	355
Deferred inflows on pensions	33,024	—	92,897
Deferred inflows on OPEB	48,028	—	181,435
<b>Total Deferred Inflows of Resources</b>	<b>81,052</b>	<b>—</b>	<b>274,687</b>
<b>NET POSITION</b>			
Net investment in capital assets	51,440	—	807,990
Restricted for:			
Unemployment compensation	—	5,066,859	—
Pensions	—	—	541
Unrestricted	(10,283,722)	—	93,413
<b>Total Net Position</b>	<b>(10,232,282)</b>	<b>5,066,859</b>	<b>901,944</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 19,599,447</b>	<b>\$ 5,168,546</b>	<b>\$ 5,437,799</b>

The notes to the financial statements are an integral part of this statement.

Concluded

		Governmental Activities	
		Total	Internal Service Funds
Nonmajor Enterprise Funds			
\$ 19,742	\$ 236,025	\$ 47,419	
159,635	823,043	105,754	
22,205	80,674	—	
2,770	142,353	131,306	
—	781	1,196	
828	11,414	3,117	
23,527	327,717	191,184	
2,991	28,636	94,354	
2,596	64,958	4,336	
5,088	2,160,477	202,216	
239,382	3,876,078	780,882	
13,174	27,024,604	651,888	
3,225	2,440,250	515,997	
35,188	397,101	219,046	
44,264	610,210	166,608	
1,134,948	1,235,470	25,336	
1,230,799	31,707,635	1,578,875	
1,470,181	35,583,713	2,359,757	
—	355	120	
13,111	139,032	65,435	
17,584	247,047	84,007	
30,695	386,434	149,562	
51,864	911,294	235,688	
—	5,066,859	—	
—	541	—	
511,638	(9,678,671)	(418,347)	
563,502	(3,699,977)	(182,659)	
\$ 2,064,378	\$ 32,270,170	\$ 2,326,660	



**Statement of Revenues, Expenses, and Changes in Net Position**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2019  
*(expressed in thousands)*

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
<b>OPERATING REVENUES</b>			
Sales	\$ —	\$ —	\$ 77,440
Less: Cost of goods sold	—	—	(43,553)
Gross profit	—	—	33,887
Charges for services	504	—	3,073,831
Premiums and assessments	2,612,753	1,046,389	—
Lottery ticket proceeds	—	—	—
Federal aid for unemployment insurance benefits	—	36,173	—
Miscellaneous revenue	53,141	15,242	203,074
<b>Total Operating Revenues</b>	<b>2,666,398</b>	<b>1,097,804</b>	<b>3,310,792</b>
<b>OPERATING EXPENSES</b>			
Salaries and wages	186,678	—	1,229,173
Employee benefits	59,203	—	328,009
Personal services	13,072	—	105,745
Goods and services	93,809	—	1,277,573
Travel	4,597	—	29,032
Premiums and claims	3,565,722	963,164	190
Guaranteed education tuition program expense	—	—	—
Lottery prize payments	—	—	—
Depreciation and amortization	7,407	—	198,722
Miscellaneous expenses	44,777	—	22,253
<b>Total Operating Expenses</b>	<b>3,975,265</b>	<b>963,164</b>	<b>3,190,697</b>
<b>Operating Income (Loss)</b>	<b>(1,308,867)</b>	<b>134,640</b>	<b>120,095</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings (loss) on investments	1,446,193	108,145	31,861
Interest expense	—	—	(96,005)
Tax and license revenue	111	—	—
Other revenues (expenses)	10,263	—	18,709
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,456,567</b>	<b>108,145</b>	<b>(45,435)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>147,700</b>	<b>242,785</b>	<b>74,660</b>
Capital contributions	—	—	925
Transfers in	—	—	586,949
Transfers out	—	—	(576,598)
<b>Net Contributions and Transfers</b>	<b>—</b>	<b>—</b>	<b>11,276</b>
<b>Change in Net Position</b>	<b>147,700</b>	<b>242,785</b>	<b>85,936</b>
<b>Net Position - Beginning, as restated</b>	<b>(10,379,982)</b>	<b>4,824,074</b>	<b>816,008</b>
<b>Net Position - Ending</b>	<b>\$ (10,232,282)</b>	<b>\$ 5,066,859</b>	<b>\$ 901,944</b>

The notes to the financial statements are an integral part of this statement.

		Governmental Activities	
Nonmajor Enterprise Funds	Total	Internal Service Funds	
\$ 102,456	\$ 179,896	\$ 45,237	
(67,121)	(110,674)	(37,578)	
35,335	69,222	7,659	
87,639	3,161,974	750,932	
261,373	3,920,515	1,803,400	
803,278	803,278	—	
—	36,173	—	
5,807	277,264	187,602	
1,193,432	8,268,426	2,749,593	
81,739	1,497,590	328,846	
27,093	414,305	110,563	
19,636	138,453	35,059	
107,602	1,478,984	373,033	
2,209	35,838	5,601	
—	4,529,076	1,837,623	
363,840	363,840	—	
490,355	490,355	—	
2,878	209,007	107,099	
909	67,939	122	
1,096,261	9,225,387	2,797,946	
97,171	(956,961)	(48,353)	
94,626	1,680,825	17,915	
(4,514)	(100,519)	(22,633)	
22,156	22,267	12	
413	29,385	1,781	
112,681	1,631,958	(2,925)	
209,852	674,997	(51,278)	
—	925	11,334	
17,897	604,846	80,536	
(244,775)	(821,373)	(49,000)	
(226,878)	(215,602)	42,870	
(17,026)	459,395	(8,408)	
580,528	(4,159,372)	(174,251)	
\$ 563,502	\$ (3,699,977)	\$ (182,659)	

# Statement of Cash Flows

## PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2019  
(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,614,278	\$ 1,002,693	\$ 3,042,503
Payments to suppliers	(2,321,245)	(955,263)	(1,489,549)
Payments to employees	(256,309)	—	(1,571,677)
Other receipts	53,142	51,529	203,075
Net Cash Provided (Used) by Operating Activities	89,866	98,959	184,352
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	—	—	586,949
Transfers out	—	—	(576,598)
Operating grants and donations received	10,861	—	16,613
Taxes and license fees collected	111	—	—
Other noncapital financing activity	—	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	10,972	—	26,964
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid	—	—	(94,646)
Principal payments on long-term capital financing	—	—	(107,345)
Proceeds from long-term capital financing	—	—	158,594
Proceeds from sale of capital assets	12	—	10,267
Acquisitions of capital assets	(787)	—	(258,274)
Net Cash Provided (Used) by Capital and Related Financing Activities	(775)	—	(291,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of interest	469,731	108,145	5,799
Proceeds from sale of investment securities	7,963,788	—	49,320
Purchases of investment securities	(8,520,606)	—	(38,664)
Net Cash Provided (Used) by Investing Activities	(87,087)	108,145	16,455
Net Increase (Decrease) in Cash and Pooled Investments	12,976	207,104	(63,633)
Cash and cash equivalents, July 1, as restated	45,861	4,497,091	858,042
Cash and cash equivalents, June 30	\$ 58,837	\$ 4,704,195	\$ 794,409
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (1,308,867)	\$ 134,640	\$ 120,095
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	7,407	—	198,722
Revenue reduced for uncollectible accounts	36,904	—	1,236
<b>Change in Assets: Decrease (Increase)</b>			
Receivables	285	(43,581)	(107,630)
Inventories	(14)	—	623
Prepaid expenses	(1,785)	—	(265)
Other assets	—	—	(173)
<b>Change in Deferred Outflows of Resources: Increase (Decrease)</b>	(9,389)	—	(17,077)
<b>Change in Liabilities: Increase (Decrease)</b>			
Payables	1,325,413	7,900	(151,274)
<b>Change in Deferred Inflows of Resources: Decrease (Increase)</b>	39,912	—	140,095
<b>Net Cash Provided (Used) by Operating Activities</b>	\$ 89,866	\$ 98,959	\$ 184,352

The notes to the financial statements are an integral part of this statement.

Continued

Nonmajor Enterprise Funds		Governmental Activities	
		Total	Internal Service Funds
\$	1,111,297	\$ 7,770,771	\$ 2,622,151
	(1,648,014)	(6,414,071)	(2,099,348)
	(111,033)	(1,939,019)	(458,258)
	5,801	313,547	188,059
	(641,949)	(268,772)	252,604
	17,897	604,846	80,536
	(244,775)	(821,373)	(49,000)
	477	27,951	1,501
	21,791	21,902	12
	(82,000)	(82,000)	—
	(286,610)	(248,674)	33,049
	(179)	(94,825)	(26,545)
	(435)	(107,780)	(58,904)
	—	158,594	48,213
	1,123	11,402	3,233
	(24,794)	(283,855)	(80,255)
	(24,285)	(316,464)	(114,258)
	28,080	611,755	12,585
	1,142,002	9,155,110	213,240
	(335,791)	(8,895,061)	(22,203)
	834,291	871,804	203,622
	(118,553)	37,894	375,017
	258,790	5,659,784	766,319
\$	140,237	\$ 5,697,678	\$ 1,141,336
\$	97,171	\$ (956,961)	\$ (48,353)
	2,878	209,007	107,099
	36	38,176	(96)
	(145,566)	(296,492)	25,122
	(599)	10	(115)
	(95)	(2,145)	1,084
	—	(173)	—
	(6,175)	(32,641)	(26,682)
	(606,424)	575,615	128,254
	16,825	196,832	66,291
\$	(641,949)	\$ (268,772)	\$ 252,604

**Statement of Cash Flows**  
**PROPRIETARY FUNDS**

For the Fiscal Year Ended June 30, 2019  
*(expressed in thousands)*

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Contributions of capital assets	\$ —	\$ —	\$ 1,268
Acquisition of capital assets through capital leases	—	—	16,057
Amortization of annuity prize liability	—	—	—
Increase (decrease) in fair value of investments	967,724	—	315
Debt refunding deposited with escrow agent	—	—	—
Amortization of debt premium/discount	—	—	3,959
Increase in ownership of joint venture	—	—	24,231

The notes to the financial statements are an integral part of this statement.

Concluded

Nonmajor Enterprise Funds		Governmental Activities	
		Total	Internal Service Funds
\$	—	\$ 1,268	\$ 11,334
	—	16,057	—
	4,401	4,401	—
	67,588	1,035,627	4,550
	—	—	227,875
	67	4,026	4,945
	—	24,231	—

**Statement of Net Position**  
**FIDUCIARY FUNDS**  
June 30, 2019  
*(expressed in thousands)*

Continued

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,765	\$ 7,203,623	\$ 53,878	\$ 196,024
Receivables, pension and other employee benefit plans:				
Employers	—	—	228,470	—
Members (net of allowance)	—	—	7,038	—
Interest and dividends	—	—	367,100	—
Investment trades pending	—	—	4,346,622	—
Due from other pension and other employee benefit funds	—	—	108,417	—
Other receivables, all other funds	—	17,508	187	11,359
Due from other governments	—	—	—	21,988
Investments:				
Liquidity	—	5,717,877	1,726,317	—
Fixed income	—	945,444	22,853,671	—
Public equity	—	—	45,092,380	—
Private equity	—	—	24,374,942	—
Real estate	—	—	20,274,918	—
Tangible assets	—	—	5,643,371	—
Security lending collateral	—	—	738,396	—
Other noncurrent assets	—	—	—	55,436
Capital assets:				
Furnishings, equipment, and intangibles	37	—	—	—
Accumulated depreciation	(37)	—	—	—
<b>Total Assets</b>	<b>3,765</b>	<b>13,884,452</b>	<b>125,815,707</b>	<b>284,807</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows on OPEB	—	—	123	—
<b>Total Deferred Outflows of Resources</b>	<b>—</b>	<b>—</b>	<b>123</b>	<b>—</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3,765</b>	<b>\$ 13,884,452</b>	<b>\$ 125,815,830</b>	<b>\$ 284,807</b>

The notes to the financial statements are an integral part of this statement.

**Statement of Net Position**  
**FIDUCIARY FUNDS**  
June 30, 2019  
*(expressed in thousands)*

Concluded

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 100	\$ —	\$ —	\$ 5,479
Contracts payable	—	—	—	29,750
Accrued liabilities	142	5,060	4,608,904	171,110
Obligations under security lending agreements	—	—	738,395	—
Due to other funds	—	87	—	—
Due to other pension and other employee benefit funds	—	—	108,417	—
Due to other governments	—	27,429	—	23,032
Unearned revenue	—	—	650	—
Other long-term liabilities	—	—	—	55,436
<b>Total Liabilities</b>	<b>242</b>	<b>32,576</b>	<b>5,456,366</b>	<b>284,807</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows on OPEB	—	—	119	—
<b>Total Deferred Inflows of Resources</b>	<b>—</b>	<b>—</b>	<b>119</b>	<b>—</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>242</b>	<b>32,576</b>	<b>5,456,485</b>	<b>\$ 284,807</b>
<b>NET POSITION</b>				
Net position restricted for:				
Pensions	—	—	115,649,157	
Deferred compensation participants	—	—	4,710,188	
Local government pool participants	—	13,851,876	—	
Individuals, organizations, and other governments	3,523	—	—	
<b>Total Net Position</b>	<b>\$ 3,523</b>	<b>\$ 13,851,876</b>	<b>\$ 120,359,345</b>	

The notes to the financial statements are an integral part of this statement.



# Statement of Changes in Net Position

## FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
<b>ADDITIONS</b>			
<b>Contributions:</b>			
Employers	\$ —	\$ —	\$ 2,935,590
Members	—	—	1,766,549
State	—	—	89,499
Participants	—	25,558,717	312,768
<b>Total Contributions</b>	—	25,558,717	5,104,406
<b>Investment Income:</b>			
Net appreciation (depreciation) in fair value	—	—	7,724,640
Interest and dividends	—	293,672	2,489,269
Earnings on investments	—	3,825	—
Less: Investment expenses	—	—	(769,377)
<b>Net Investment Income (Loss)</b>	—	297,497	9,444,532
<b>Other Additions:</b>			
Unclaimed property	91,974	—	—
Transfers from other plans	—	—	148,146
Miscellaneous revenue	2	7	21,379
<b>Total Other Additions</b>	91,976	7	169,525
<b>Total Additions</b>	91,976	25,856,221	14,718,463
<b>DEDUCTIONS</b>			
Pension benefits	—	—	4,638,996
Pension refunds	—	—	703,505
Transfers to other plans	—	—	148,146
Administrative expenses	5,187	1,362	3,639
Distributions to participants	—	24,329,698	256,448
Payments to or on behalf of individuals, organizations, and other governments in accordance with state unclaimed property laws	89,732	—	—
<b>Total Deductions</b>	94,919	24,331,060	5,750,734
<b>Net Increase (Decrease)</b>	(2,943)	1,525,161	8,967,729
<b>Net Position - Beginning</b>	6,466	12,326,715	111,391,616
<b>Net Position - Ending</b>	\$ 3,523	\$ 13,851,876	\$ 120,359,345

The notes to the financial statements are an integral part of this statement.

# Statement of Net Position

## COMPONENT UNITS

June 30, 2019

(expressed in thousands)

Continued

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 8,942	\$ 4,111	\$ 35,373	\$ 30,723	\$ 79,149
Investments	—	—	67,198	49,024	116,222
Receivables (net of allowance)	1,349	9,473	86,923	10,493	108,238
Inventories	—	—	7,215	—	7,215
Prepaid expenses	—	3,427	17,032	470	20,929
<b>Total Current Assets</b>	<b>10,291</b>	<b>17,011</b>	<b>213,741</b>	<b>90,710</b>	<b>331,753</b>
<b>Noncurrent Assets:</b>					
Investments, noncurrent	—	—	96,299	—	96,299
Restricted investments, noncurrent	—	—	53,485	—	53,485
Other noncurrent assets	—	675	—	396,437	397,112
<b>Capital assets:</b>					
Land	34,677	—	13,414	—	48,091
Buildings	460,953	—	495,459	—	956,412
Other improvements	—	810	18,843	176	19,829
Furnishings, equipment, and intangible assets	10,212	60,507	234,803	2,004	307,526
Lease asset	—	2,653	—	—	2,653
Accumulated depreciation	(268,224)	(48,058)	(405,902)	(1,958)	(724,142)
Construction in progress	—	1,379	32,804	—	34,183
<b>Total Noncurrent Assets</b>	<b>237,618</b>	<b>17,966</b>	<b>539,205</b>	<b>396,659</b>	<b>1,191,448</b>
<b>Total Assets</b>	<b>247,909</b>	<b>34,977</b>	<b>752,946</b>	<b>487,369</b>	<b>1,523,201</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows on refundings	—	—	16,119	—	16,119
Deferred outflows on pensions	12	1,736	—	887	2,635
Deferred outflows on OPEB	—	6	—	166	172
<b>Total Deferred Outflows of Resources</b>	<b>12</b>	<b>1,742</b>	<b>16,119</b>	<b>1,053</b>	<b>18,926</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 247,921</b>	<b>\$ 36,719</b>	<b>\$ 769,065</b>	<b>\$ 488,422</b>	<b>\$ 1,542,127</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Net Position

## COMPONENT UNITS

June 30, 2019

(expressed in thousands)

Concluded

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 90	\$ 16,503	\$ 20,842	\$ 429	\$ 37,864
Accrued liabilities	2,581	1,037	114,168	37,563	155,349
Total OPEB liability	—	—	—	3	3
Unearned revenue	—	—	—	9,077	9,077
<b>Total Current Liabilities</b>	<b>2,671</b>	<b>17,540</b>	<b>135,010</b>	<b>47,072</b>	<b>202,293</b>
<b>Noncurrent Liabilities:</b>					
Net pension liability	152	5,038	—	3,300	8,490
Total OPEB liability	—	1,327	—	3,109	4,436
Other long-term liabilities	—	2,409	338,374	—	340,783
<b>Total Noncurrent Liabilities</b>	<b>152</b>	<b>8,774</b>	<b>338,374</b>	<b>6,409</b>	<b>353,709</b>
<b>Total Liabilities</b>	<b>2,823</b>	<b>26,314</b>	<b>473,384</b>	<b>53,481</b>	<b>556,002</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows on property taxes	—	—	23,849	—	23,849
Deferred inflows on pensions	57	2,262	—	1,143	3,462
Deferred inflows on OPEB	—	134	—	1,237	1,371
<b>Total Deferred Inflows of Resources</b>	<b>57</b>	<b>2,396</b>	<b>23,849</b>	<b>2,380</b>	<b>28,682</b>
<b>NET POSITION</b>					
Net investment in capital assets	237,618	17,291	102,937	223	358,069
Restricted for:					
Deferred sales tax	(929)	—	—	—	(929)
Other purposes	—	—	3,525	1,083	4,608
Unrestricted	8,352	(9,282)	165,370	431,255	595,695
<b>Total Net Position</b>	<b>245,041</b>	<b>8,009</b>	<b>271,832</b>	<b>432,561</b>	<b>957,443</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 247,921</b>	<b>\$ 36,719</b>	<b>\$ 769,065</b>	<b>\$ 488,422</b>	<b>\$ 1,542,127</b>

The notes to the financial statements are an integral part of this statement.

# Statement of Revenues, Expenses, and Changes in Net Position

## COMPONENT UNITS

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
<b>EXPENSES</b>	\$ 19,051	\$ 57,213	\$ 697,843	\$ 13,411	\$ 787,518
<b>PROGRAM REVENUES</b>					
Charges for services	4,091	28,588	677,857	91,061	801,597
Operating grants and contributions	—	32,530	—	1,967	34,497
<b>Total Program Revenues</b>	4,091	61,118	677,857	93,028	836,094
<b>Net Program Revenues (Expense)</b>	(14,960)	3,905	(19,986)	79,617	48,576
<b>GENERAL REVENUES</b>					
Earnings (loss) on investments	323	—	7,786	4,036	12,145
Property taxes	—	—	23,258	—	23,258
Other	—	—	979	—	979
<b>Total General Revenues</b>	323	—	32,023	4,036	36,382
<b>Change in Net Position</b>	(14,637)	3,905	12,037	83,653	84,958
<b>Net Position - Beginning, as restated</b>	259,678	4,104	259,795	348,908	872,485
<b>Net Position - Ending</b>	\$ 245,041	\$ 8,009	\$ 271,832	\$ 432,561	\$ 957,443

The notes to the financial statements are an integral part of this statement.

# Note 1

## Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

### A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations that are financially accountable to the state. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources, (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization, (3) the primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the following are included in the financial statements of the primary government:

**State Agencies.** Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, councils (agencies), and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor. Additionally, a small number of board positions are established by statute or independently elected.

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets reside with the state.

**Colleges and Universities.** The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state's General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

The University of Washington (UW) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities. The legal liability for the bonds and the ownership of the college and university assets reside with the state.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state, their financial operations, including their blended component units, are reported in the state's financial statements using the fund structure prescribed by GASB.

**Retirement Systems.** The state of Washington, through the Department of Retirement Systems (DRS), administers eight retirement systems for public employees of the state

and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the State Board for Volunteer Fire Fighters and Reserve Officers, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Benefit Fund Plans are administered by the state's colleges and universities.

The Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All of the aforementioned retirement systems are included in the primary government's financial statements.

### **Blended Component Units**

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127. The following entities are blended in the state's financial statements:

**Tobacco Settlement Authority** was created by the Legislature in March 2002 as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

**University of Washington Physicians (UWP)** was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

**UW Medicine Neighborhood Clinics** (UW Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center, and the UW Medical Center. The UW Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

**Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3, 3.2, and 3.3** were formed to acquire, construct, or renovate certain real properties for the benefit of the UW in fulfilling its educational, medical, or scientific research missions.

**TOP and FYI Properties** were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

**Northwest Hospital and Medical Center** was created January 1, 2010, under an affiliation agreement between UW Medicine and Northwest Hospital and Medical Center (Northwest Hospital). UW Medicine is an academic medical center comprised of UWSOM, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, UWP, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital.

### **Discrete Component Units**

Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation.

The state's discrete component units each have a year end of June 30 with the exception of the Washington Economic Development Finance Authority which has a December 31 year end.

The following entities are discretely presented in the financial statements of the state in the component unit's column:

The **Washington State Public Stadium Authority (PSA)** was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. At June 30, 2019, PSA capital assets, net of accumulated depreciation, total \$237.6 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed \$300 million from all state and local government funding sources, as required in statute.

Project costs in excess of \$300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility.

Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority  
CenturyLink Field & Event Center  
800 Occidental Avenue South, #700  
Seattle, WA 98134

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange became self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

Financial reports of the Exchange may be obtained at the following address:

Washington Health Benefit Exchange  
810 Jefferson Street SE  
PO Box 657  
Olympia, WA 98507

**Valley Medical Center** was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County.

Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center  
400 S. 43rd Street  
Renton, WA 98055-5010

The **Washington State Housing Finance Commission**, the **Washington Higher Education Facilities Authority**, the **Washington Health Care Facilities Authority**, and the **Washington Economic Development Finance Authority** (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority  
410 11th Avenue SE, Suite 201  
Olympia, WA 98501

Washington State Housing Finance Commission  
Washington Higher Education Facilities Authority  
Washington Economic Development Finance Authority  
1000 Second Avenue, Suite 2700  
Seattle, WA 98104

## Joint Ventures

In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the **Seattle Cancer Care Alliance (SCCA)**. Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

**Inpatient Services** - The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services - The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of \$24.2 million was recorded in fiscal year 2019, bringing the total equity investment to \$183.4 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

Seattle Cancer Care Alliance  
825 Eastlake Avenue East  
PO Box 19023  
Seattle, WA 98109-1023

The University of Washington and Seattle Children's Hospital established **Children's University Medical Group (CUMG)** to assist the organizations in carrying out their pediatric patient care, as well as charitable, educational, and scientific missions.

CUMG employs UWSOM faculty physicians and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable includes amounts due from CUMG of \$16.6 million in 2019.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group  
4500 Sand Point Way NE, Suite 100  
Seattle, WA 98105

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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### **Government-wide Financial Statements**

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or

in part by fees charged to external parties for goods and services.

**Statement of Net Position.** The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. As a general rule, balances between governmental and business-type activities are eliminated.

**Statement of Activities.** The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally, the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

### **Fund Financial Statements**

The state uses 708 accounts that are combined into 52 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:



### Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for educational and research purposes.
- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

### Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.
- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

The state includes the following nonmajor funds:

### Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and

interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).
- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

### Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery, vocational/education programs at correctional institutions, the Guaranteed Education Tuition program, paid family and medical leave compensation, and other activities.
- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, health insurance, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

### Nonmajor Fiduciary Funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.
- **Investment Trust Funds** account for the external portion of the local government investments, which is reported by the state as the sponsoring government.
- **Private-Purpose Trust Funds** are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.
- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals.

### Operating and Nonoperating Revenues and Expenses.

The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected.

Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

## **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets, current liabilities, deferred outflows of resources, and deferred inflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees related to a future time period are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are

available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by unavailable revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due. Certain liabilities including compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available spendable financial resources.

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the “measurable” and the “available” criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

## **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE**

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### **1. Cash and Investments**

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets, and Statements of Cash Flows as “Cash and Cash Equivalents.” The Office of the State Treasurer invests state treasury cash surplus where funds can be disbursed at any time without prior notice or penalty. For reporting purposes,

pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, online at: <https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/> or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2019, these alternative investments are valued at \$50.29 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2019, reported net asset value.

Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

All other investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

## **2. Receivables and Payables**

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of

business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Position, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances.

Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

## **3. Inventories and Prepaids**

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be \$50,000 or more. Consumable inventories are valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute "available spendable resources," except for \$4.5 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

#### 4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by debt covenants, escrow arrangements, or other regulations.

#### 5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs.
- The state highway system operated by the Department of Transportation.
- Infrastructure, other than the state highway system, with a cost of \$100,000 or more.
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of \$100,000 or more.
- Intangible assets, either purchased or internally developed, with a cost of \$1 million or more that are identifiable by meeting one of the following conditions:
  - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged.
  - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer.
- All other capital assets with a unit cost (including ancillary costs) of \$5,000 or greater, or collections with a total cost of \$5,000 or greater.

Assets acquired by capital leases are capitalized if the assets' fair market value meets the state's capitalization thresholds described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not

materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets, works of art, and historical treasures are valued at their estimated acquisition value on the date of donation, plus all appropriate ancillary costs. When the acquisition value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2019, \$101.1 million in interest costs were incurred, and \$11.9 million net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed in the Required Supplementary Information. Additionally,

the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets.
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale.
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

## **6. Deferred Outflows/Inflows of Resources**

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, other postemployment benefits (OPEB), and hedging derivative instruments.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the state

relate to unavailable revenue, debt refunding, pensions, OPEB, and hedging derivative instruments.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds Balance Sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

## **7. Compensated Absences**

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested (i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement). At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate its compensated absences obligations with future resources rather than advance funding it with available spendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable (i.e., upon employee's use, resignation, death or retirement). Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits, as applicable, as the leave is earned.

## **8. Long-Term Liabilities**

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premiums or discounts. When material, bond premiums and discounts are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing

sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

## 9. Fund Equity

In governmental fund type accounts, fund equity is called “fund balance.” Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state Constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.
- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.
- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that the expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are

attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the state’s policy to use restricted resources first and then use unrestricted resources as they are needed.

In fiduciary funds, net position is held in trust for individuals and external organizations.

## E. OTHER INFORMATION

### 1. Insurance Activities

**Workers’ Compensation.** Title 51 RCW establishes the state of Washington’s workers’ compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers’ Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers’ Compensation Fund, an enterprise fund, is used to account for the workers’ compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers’ compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers’ reported payroll hours and insurance rates based on each employer’s risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or

past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium-rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The Workers' Compensation Program purchases catastrophe reinsurance for risks in excess of its retention on the workers' compensation insurance policy to reduce its exposure to the financial risks associated with a catastrophe. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Workers' Compensation Program as direct insurer of the risks reinsured.

Amounts that are recoverable from reinsurers and that relate to paid claims and claim adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts. Estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claims adjustment expenses are deducted from those liabilities. Ceded unearned premiums are netted with related unearned premiums. Receivables and payables from the same reinsurer, including amounts withheld, are netted. Reinsurance premiums ceded and reinsurance recoveries on claims are netted against related earned premiums and incurred claims costs in the Statement of Revenues, Expenses, and Changes in Net Position.

The Department of Labor and Industries prepares a stand-alone financial report for its workers' compensation program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, WA

98504-4833 or by visiting their website at: <http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports/Default.asp>.

**Risk Management.** The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Coverage is provided up to \$10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

**Health Insurance.** The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees and their dependents. In addition, school districts, educational service districts, charter schools, the Washington State Health Benefits Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for as an internal service fund, the Health Insurance Fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority (HCA), as administrator of the health care benefits program, collects the monthly "premium" from agencies for each active employee. State employees self pay for coverage beyond the state's contribution. For non-state employees, their respective employers, who have contracted with the HCA to provide employee benefits, pay the cost of coverage. Former employees and employees who are temporarily not in pay status are able to pay for the full cost of coverage on a self-paid basis for medical and dental benefits.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 74, the Health Insurance Fund is used to

account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered in addition to plans offered via the Uniform Medical Plan, the state's self-insured offering. The Uniform Medical Plan enrolled approximately 67 percent of the eligible subscribers in fiscal year 2019. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

## **2. Postemployment Benefits**

**COBRA.** In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

**Medical Expense Plan.** As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

**Retirement Benefits.** Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

## **3. Interfund/Interagency Activities**

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

## **4. Donor-restricted Endowments**

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policies, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowments' market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled \$742.4 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.



## Note 2

### Accounting, Reporting, and Entity Changes

**Reporting Changes.** Effective for fiscal year 2019 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of GASB Statement No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt. This statement defines debt for purposes of disclosure, and also clarifies which liabilities governments should include when disclosing information related to debt. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**Prior Period Adjustments.** The State Board for Community and Technical Colleges (SBCTC) recorded prior period adjustments to properly record balances related

to the implementation of a new Enterprise Resource Planning (ERP) system by two of the colleges.

The adjustments impacted the Higher Education Special Revenue Fund, a major governmental fund, with an increase of \$15.7 million; the Higher Education Student Services Fund, a major enterprise fund, with a reduction of \$15.3 million; and the Higher Education Revolving Fund, an internal service fund, with a reduction of \$166 thousand.

The state also recorded a reduction of \$331.1 million to the beginning fund balance in the Motor Vehicle Fund, a nonmajor governmental fund, to correct an erroneous transaction recorded in the prior fiscal year.

The Public Stadium Authority, a major component unit, recorded an increase to the beginning net position of \$42 thousand to record transactions reported in the component unit's fiscal year 2018 financial statements after the state of Washington's fiscal year 2018 Comprehensive Annual Financial Report was published.

**Governmental Capital Assets and Long-term Obligations.** SBCTC recorded a prior period adjustment of \$(8.5) million to governmental capital assets related to the new ERP system implementation noted above.

The state also recorded a \$6.0 million increase in the beginning balance of long-term obligations associated with governmental funds to recognize the liability and the corresponding deferred outflow of resources for asset retirement obligations, as a result of implementing GASB Statement No. 83.

Fund equity at July 1, 2018, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2018, as previously reported	Prior Period Adjustment	Fund equity (deficit) at July 1, 2018, as restated
<b>Governmental Funds:</b>			
General	\$ 5,430,064	\$ —	\$ 5,430,064
Higher Education Special Revenue	2,854,853	15,687	2,870,540
Higher Education Endowment	4,139,121	—	4,139,121
Nonmajor Governmental	7,155,947	(331,110)	6,824,837
<b>Proprietary Funds:</b>			
Enterprise Funds:			
Workers' Compensation	(10,379,982)	—	(10,379,982)
Unemployment Compensation	4,824,074	—	4,824,074
Higher Education Student Services	831,321	(15,313)	816,008
Nonmajor Enterprise	580,528	—	580,528
Internal Service Funds	(174,085)	(166)	(174,251)
<b>Fiduciary Funds:</b>			
Private Purpose Trust	6,466	—	6,466
Local Government Investment Pool	12,326,715	—	12,326,715
Pension and Other Employee Benefit Plans	111,391,616	—	111,391,616
<b>Component Units:</b>			
Public Stadium Authority	259,636	42	259,678
Health Benefit Exchange	4,104	—	4,104
Valley Medical Center	259,795	—	259,795
Nonmajor Component Units	348,908	—	348,908

# Note 3

## Deposits and Investments

### A. DEPOSITS

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**Custodial Credit Risk.** Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2019, \$1.12 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining \$422 thousand uninsured/uncollateralized.

### B. INVESTMENTS - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

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#### 1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation

targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

**Eligible Investments.** The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed insurance contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2019.

**Commingled Trust Fund.** Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans and one supplemental pension funding account. These plans hold shares in the CTF which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

In addition to share ownership in the CTF, each retirement plan holds short-term investments that are used to manage the cash needs of each retirement plan.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; Teachers' Retirement System (TRS) Plans 1, 2, and 3; School Employees' Retirement System (SERS) Plans 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; and the Higher Education Retirement Supplemental Benefit Fund. The CTF includes both the defined benefit and defined contribution portions of PERS Plan 3, TRS Plan 3, and SERS Plan 3, which are hybrid defined benefit/defined contribution plans. The

participants of those plans have the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

**CTF Investment Policies and Restrictions.** The CTF is comprised of public markets equities, fixed income securities, private equity investments, real estate, tangible assets, and an innovation portfolio. The CTF's performance objective is to exceed the return of two custom benchmarks, each consisting of public indices weighted according to asset allocation targets.

The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

When market values fall outside policy ranges, assets are rebalanced first by using normal cash flows and then through reallocations of assets across asset classes. In cases of a major rebalancing, the pension trust funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the pension trust funds are transitioning managers.

*Public Markets Equity.* To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

*Fixed Income.* The fixed income segment is managed to achieve the highest return possible consistent with the desire to control asset volatility, emphasize high yield to maturity opportunities to add value through active management, provide diversification to the overall investment program, provide liquidity to the pension trust fund investment program, and to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index.

RCW 43.33A.140 prohibits a corporate fixed income issues cost from exceeding 3 percent of the CTF's market value at the time of purchase and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par value in any single issuer with a quality rating below investment grade (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio is targeted to be within plus or minus 20 percent of the duration of the Bloomberg Barclays U.S. Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges:

U.S. treasuries and government agencies	10% - 45%
Credit bonds	10% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	5% - 45%

*Private Equity.* Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types are generally divided into venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made through limited partnership or direct investment vehicles.

The private equity investment portfolio is managed to exceed the returns of the MSCI All Country World Index Investable Market Index, lagged by one calendar quarter, by 300 basis points in the long run. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

*Real Estate.* The WSIB's real estate program is an externally managed pool of selected partnership investments intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The pension trust funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the pension trust funds' investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

The pension trust funds may invest in any real estate opportunity demonstrating acceptable risk-adjusted returns, provided it is not prohibited by state law or WSIB policy. Investment structures may include real estate operating companies, joint ventures, commingled funds (closed or open-ended), and co-investments with existing WSIB real estate partners. Diversification within the real estate program is achieved through consideration of property type, capital structure, life cycle, geographic region, partner concentration, and property level.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

*Tangible Assets.* The primary goal of the tangible asset portfolio is to generate a long-term, predictable and persistent income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments is primarily targeted to those private funds or separate accounts providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. For diversification purposes, the tangible asset portfolio focuses on income-producing physical assets in the upstream and midstream segments of four main industries: minerals and mining, energy, agriculture, and society essentials.

The WSIB's current return objective for tangible assets calls for a target benchmark of 4 percent above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

*Innovation Portfolio.* The innovation portfolio investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are five investment strategies in the innovation portfolio involving private partnerships.

## **2. Valuation of Investments**

The pension trust fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Changes in Net Position.

The following table presents fair value measurements as of June 30, 2019:

Pension Trust Funds					
Investments Measured at Fair Value					
June 30, 2019					
(expressed in thousands)					
		Fair Value Measurements Using			
Investments by Fair Value Level	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Debt Securities					
Mortgage and other asset-backed securities	\$ 1,475,135	\$ —	\$ 1,475,135	\$ —	
Corporate bonds	12,528,857	—	12,528,857	—	
U.S. and foreign government and agency securities	8,849,679	—	8,849,679	—	
Total Debt Securities	22,853,671	—	22,853,671	—	
Equity Securities					
Common and preferred stock	21,044,914	21,023,163	20,425		1,326
Depository receipts and other miscellaneous	708,372	690,128	18,221		23
Mutual funds and exchange traded funds	2,751	2,751	—		—
Real estate investment trusts	409,084	409,084	—		—
Private equity and tangible asset funds	146,973	146,973	—		—
Total Equity Securities	22,312,094	22,272,099	38,646		1,349
Total Investments by Fair Value Level	45,165,765	\$ 22,272,099	\$ 22,892,317	\$ 1,349	
Investments Measured at Net Asset Value (NAV)					
Private equity	24,370,397				
Real estate	20,274,918				
Tangible assets	5,500,941				
Collective investment trust funds (equity securities)	12,713,105				
Total Investments Measured at the NAV	62,859,361				
Total Investments Measured at Fair Value	\$ 108,025,126				
Other Assets (Liabilities) at Fair Value					
Collateral held under securities lending agreements	\$ 738,396	\$ —	\$ 738,396	\$ —	
Net foreign exchange contracts receivable-forward and spot	(4,808)	—	(4,808)	—	
Net swap contracts	1,919	—	1,919	—	
Margin variation receivable-futures contracts	22,566	22,566	—	—	
Obligations under securities lending agreements	(738,396)	—	(738,396)	—	
Total Other Assets (Liabilities) Measured at Fair Value	\$ 19,677	\$ 22,566	\$ (2,889)	\$ —	

**Investments classified as level 1.** Investments classified as level 1 in the previous table are exchange traded equity securities whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close, as of each reporting period end.

**Investments classified as level 2.** Investments classified as level 2 in the above table are primarily comprised of publicly traded debt securities and exchange traded stocks traded in inactive markets. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a debt security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

**Investments classified as level 3.** Investments classified as level 3 in the above table were publicly traded equity securities that have noncurrent or “stale” values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand. The current market values of these securities are unknown.

**Investments measured at net asset value (NAV).** The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the pension trust funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the closest available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately \$50.29 billion as of June 30, 2019. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2019, reported net asset value.

With the exception of two publicly traded funds, these investments can never be redeemed. Instead, the nature of these investments provides for distributions through the sale or liquidation of the underlying assets or net operating cash flows. It is anticipated that the various investments within each asset class will be liquidated over the following periods:

Pension Trust Funds						
Alternative Assets Expected Liquidation Periods						
June 30, 2019						
(expressed in thousands)						
Liquidation Periods	Investment Type				Percentage of Total	
	Private Equity	Real Estate	Tangible Assets	Total		
Publicly traded-Level 1	\$ 4,544	\$ —	\$ 142,429	\$ 146,973		0.3%
Less than 3 years	99,069	17,259	168	116,496		0.2%
3 to 9 years	3,368,753	1,672,266	849,062	5,890,081		11.7%
10 or more years	20,902,575	18,585,393	4,651,711	44,139,679		87.8%
<b>Total</b>	<b>\$ 24,374,941</b>	<b>\$ 20,274,918</b>	<b>\$ 5,643,370</b>	<b>\$ 50,293,229</b>		<b>100.0%</b>

*Private Equity.* This includes 299 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month end.
- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market

price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.

- When the portfolio company investments are private holdings and are not traded on active security exchanges, valuation methodologies consist primarily of income and market approaches. The income approach involves a discounted cash flow analysis based on portfolio companies' projections. The market approach involves valuing a company at a multiple of a specified financial measure, generally earnings before interest, taxes, depreciation, and amortization, based on multiples of comparable publicly traded companies.

*Real Estate.* This includes 34 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are externally appraised generally every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

*Tangible Assets.* This includes 48 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

*Collective Investment Trust Funds.* The pension trust fund invests in three separate collective investment trust funds (fund). Each fund determines a fair value by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Two funds are passively managed to approximate the capitalization weighted total rates of return of the MSCI U.S. Investable Market Index and the MSCI Emerging Markets Investable Market Index. Each fund has daily openings and contributions, and withdrawals can be made on any business day. The fund managers, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund managers may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

The third fund seeks to achieve long-term capital appreciation through active investment management in emerging market countries. The index against which the fund compares its performance is the MSCI Emerging Market Index. The pension trust funds may redeem some or all of their holdings on each monthly valuation date. The fund manager may delay redemption proceeds if it

determines that it is reasonably necessary to prevent a material adverse impact on the fund or other investors. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind.

**Other assets and liabilities measured at fair value.** Forward exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (level 2).

Cash collateral held and the offsetting obligations under securities lending agreements are valued by the pension trust funds' lending agent and sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value, and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodial bank provides quoted prices for these securities from a reputable pricing vendor.

### 3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2019, the pension trust funds had total unfunded commitments of \$30.93 billion in the following asset classes: \$18.87 billion in private equity, \$7.63 billion in real estate, and \$4.43 billion in tangible assets.

### 4. Securities Lending

State law and WSIB policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the pension trust funds in securities lending transactions. As State Street Corporation is the custodian bank for the pension trust funds, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2019, was approximately \$2.17 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2019, cash collateral received totaling \$738.4 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling \$738.4 million is reported as security



lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2019, was \$1.49 billion.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2019 (in millions):

Mortgage-backed securities	\$	1,121.0
U.S. treasuries		367.4
Repurchase agreements		246.3
Commercial paper		188.5
Yankee CD		171.8
Cash equivalents and other		131.8
<b>Total Collateral Held</b>	<b>\$</b>	<b>2,226.8</b>

During fiscal year 2019, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2019, the cash collateral held had an average duration of 17.8 days and an average weighted final maturity of 98.3 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2019, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2019 resulting from a default by either the borrowers or the securities lending agents.

## 5. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index. The fixed income portfolio's duration is targeted within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2019, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two following schedules provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2019. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

**Pension Trust Funds**  
**Schedule of Maturities and Effective Duration**  
**June 30, 2019**  
*(expressed in thousands)*

Investment Type	Total Fair Value	Maturity				Effective Duration (in years)*
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Mortgage and other asset-backed securities	\$ 1,301,205	\$ 2,599	\$ 1,160,208	\$ 138,398	\$ —	3.30
Corporate bonds	12,528,857	1,092,364	5,371,113	4,500,511	1,564,869	5.80
U.S. government and agency securities	6,857,550	998,302	2,116,366	2,005,769	1,737,113	8.20
Foreign government and agency securities	1,992,129	38,924	1,280,371	525,156	147,678	4.70
Total internally managed fixed income	22,679,741	2,132,189	9,928,058	7,169,834	3,449,660	6.30
Mortgage-backed TBA forwards	173,930	173,930	—	—	—	0.00
<b>Total Investments Categorized</b>	<b>22,853,671</b>	<b>\$ 2,306,119</b>	<b>\$ 9,928,058</b>	<b>\$ 7,169,834</b>	<b>\$ 3,449,660</b>	<b>6.20</b>

**Investments Not Required to be Categorized:**

Cash and cash equivalents	1,815,246
Equity securities	34,878,225
Alternative investments	50,293,229
Total investments not categorized	86,986,700
<b>Total Investments</b>	<b>\$109,840,371</b>

\* Excludes cash and cash equivalents

Credit ratings of investments are presented using the Moody's rating scale as follows:

Pension Trust Funds				
Investment Credit Ratings				
June 30, 2019				
<i>(expressed in thousands)</i>				
Moody's Equivalent Credit Rating	Investment Type			
	Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	Total Fair Value
Aaa	\$ 1,474,628	\$ 599,332	\$ 113,933	\$ 2,187,893
Aa1	—	101,384	265,535	366,919
Aa2	—	257,132	120,663	377,795
Aa3	—	844,270	116,760	961,030
A1	—	884,292	400,435	1,284,727
A2	—	1,598,657	—	1,598,657
A3	—	1,275,050	17,791	1,292,841
Baa1	—	1,805,362	51,048	1,856,410
Baa2	507	1,632,694	394,278	2,027,479
Baa3	—	2,018,907	—	2,018,907
Ba1 or lower	—	1,511,777	511,686	2,023,463
<b>Total</b>	<b>\$ 1,475,135</b>	<b>\$ 12,528,857</b>	<b>\$ 1,992,129</b>	<b>\$ 15,996,121</b>

## 6. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2019, were rated by Moody's and/or an equivalent national rating organization.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2019.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit

risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

## 7. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer, to limit foreign currency and security risk.

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity, real estate, and tangible assets are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2019, of \$1.21 billion invested in two emerging markets commingled equity investment funds.

**Pension Trust Funds**
**Foreign Currency Exposure by Country**
**June 30, 2019**
*(expressed in thousands)*

Foreign Currency Denomination	Investment Type in U.S. Dollar Equivalent					Open Foreign Exchange Contracts-Net	Total
	Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Assets			
Australia-Dollar	\$ 7,720	\$ 131,911	\$ 558,602	\$ 123,093	\$ 126	\$ 821,452	
Brazil-Real	442	124,512	185,271	—	(913)	309,312	
Canada-Dollar	10,954	—	605,555	—	1,824	618,333	
Chile-Peso	1,077	61,608	13,233	—	(324)	75,594	
China-Yuan Renminbi	1,861	27,799	197,709	—	220	227,589	
Columbia-Peso	26	74,714	5,738	—	8	80,486	
Denmark-Krone	32	—	228,190	—	(119)	228,103	
E.M.U.-Euro	22,694	—	3,505,909	3,244,830	(2,667)	6,770,766	
Hong Kong-Dollar	5,247	—	845,940	—	235	851,422	
India-Rupee	1,442	62,742	160,633	—	365	225,182	
Indonesia-Rupiah	155	26,296	51,594	—	(571)	77,474	
Japan-Yen	10,857	—	2,153,496	—	(63)	2,164,290	
Mexico-Peso	254	36,868	81,882	—	1,263	120,267	
New Taiwan-Dollar	2,781	—	192,878	—	(622)	195,037	
Norway-Krone	519	—	56,106	—	681	57,306	
Singapore-Dollar	2,095	—	171,503	—	46	173,644	
South Korea-Won	5,444	—	378,129	—	(1,922)	381,651	
Sweden-Krona	1,583	—	312,420	—	(654)	313,349	
Switzerland-Franc	228	—	969,540	—	(1,910)	967,858	
Thailand-Baht	2,093	—	50,942	—	236	53,271	
United Kingdom-Pound	7,438	—	1,950,983	—	(3,626)	1,954,795	
Other	6,367	55,705	227,766	—	3,578	293,416	
Total	\$ 91,309	\$ 602,155	\$ 12,904,019	\$ 3,367,923	\$ (4,809)	\$ 16,960,597	

## 8. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2019, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

Derivatives are generally used to achieve the desired market exposure of a security, index, or currency; adjust portfolio duration; or rebalance the total portfolio to the target asset allocation. Derivative contracts are instruments that derive

their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an over the counter (OTC) contract, such as forward and total return swap contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as “exchange traded.”

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2019, the pension trust funds counterparty risk was approximately \$30.9 million. The majority of the counterparties (70 percent) held a credit rating of Aa3 on Moody’s rating scale.

All counterparties held investment grade credit ratings of Baa2 and above.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. As such, gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio. Derivatives, which are exchange traded, are not subject to credit risk.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date in the future. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by a counterparty. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2019, the pension trust funds had outstanding forward currency contracts with a net unrealized loss of \$4.8 million. The aggregate forward currency exchange contracts

receivable and payable were \$4.03 billion and \$4.03 billion, respectively. The contracts have varying maturity dates ranging from July 1, 2019, to June 17, 2020.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The open swap contracts have varying maturity dates ranging from July 17, 2019, to September 29, 2019. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2019, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of \$178.6 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by these funds is unavailable.

The following schedule presents the significant terms for derivatives held as investments by the pension trust funds:

<b>Pension Trust Funds</b> <b>Derivative Investments</b> <b>June 30, 2019</b> <i>(expressed in thousands)</i>			
	<b>Changes in Fair Value - Included in Investment Income (Loss) Amount</b>	<b>Fair Value - Investment Derivative Amount</b>	<b>Notional</b>
<b>Futures Contracts:</b>			
Bond index futures	\$ 20,669	\$ 3,825	\$ 115,200
Equity index futures	91,446	18,741	107,483
<b>Total</b>	<u>\$ 112,115</u>	<u>\$ 22,566</u>	<u>\$ 222,683</u>
<b>Forward Currency Contracts</b>			
	\$ 4,824	\$ (4,812)	\$ 4,009,445
<b>Total Return Swap Contracts:</b>			
Total return swaps bond	\$ (3,040)	\$ (564)	\$ 57,419
Total return swaps equity	(1,697)	1,493	(110,315)
<b>Total</b>	<u>\$ (4,737)</u>	<u>\$ 929</u>	<u>\$ (52,896)</u>

## C. INVESTMENTS - WORKERS' COMPENSATION FUND

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### 1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

**Eligible Investments.** Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.

- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.
- Real estate.

**Investment Policies and Restrictions.** To meet stated objectives, investments of the Workers' Compensation Fund are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

The WSIB has elected a gradual implementation plan to reach the strategic asset allocation. During this implementation period, if real estate is above or below its target due to timing or illiquidity, fixed income will be used to offset the balance.

**Equity.** The benchmark and structure for global equities will be the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with USA gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

**Fixed Income.** It is the goal of the fixed income portfolios to match the target durations. The fixed income portfolios' required duration targets are to be reviewed every three years or sooner if there are significant changes in the funding levels or the liability durations.

Sector allocation of fixed income investments must be managed within the ranges presented below. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.

**Target Allocations for the Fixed Income Sectors:**

U.S. treasuries and government agencies	5% - 25%
Credit bonds	20% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	0% - 25%

Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. Total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of total market value of the funds.

*Real Estate.* The objectives and characteristics of the real

estate portfolio are as follows:

- To generate a 6 percent annual investment return over a rolling 10-year period.
- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.
- The portfolio will be diversified across geography and property type.
- The benchmark for the portfolio is a total net return of 6 percent measured over a rolling 10-year period.
- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

## 2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The following table presents fair value measurements as of June 30, 2019:

**Workers' Compensation Fund**

**Investments Measured at Fair Value**

**June 30, 2019**

(expressed in thousands)

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Debt securities</b>				
Mortgage and other asset-backed securities	\$ 1,165,548	\$ —	\$ 1,165,548	\$ —
Corporate bonds	10,082,114	—	10,082,114	—
U.S. and foreign government and agency securities	4,256,630	—	4,256,630	—
<b>Total Investments by Fair Value Level</b>	<b>15,504,292</b>	<b>\$ —</b>	<b>\$ 15,504,292</b>	<b>\$ —</b>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Commingled equity investment trusts	2,809,079			
Total investments measured at the NAV	2,809,079			
<b>Total Investments Measured at Fair Value</b>	<b>\$ 18,313,371</b>			
<b>Other Assets (Liabilities) Measured at Fair Value</b>				
Collateral held under securities lending agreements	\$ 58,469	\$ —	\$ 58,469	\$ —
Obligations under securities lending agreements	(58,469)	—	(58,469)	—
<b>Total Other Assets (Liabilities) Measured at Fair Value</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Investments classified as level 2.** Investments classified as level 2 in the above table are comprised of publicly traded debt securities. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith

opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

**Investments measured at net asset value (NAV).** The Workers' Compensation Fund invests in a single collective investment trust fund (fund). The fund is passively managed to track the investment of a broad, global equity index, the MSCI All Country World Investable Market Index net with USA gross. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings are publicly traded equity securities.

The fund has daily openings, and contributions and withdrawals can be made on any business day. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund manager may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

### 3. Securities Lending

State law and WSIB policy permit the Workers' Compensation Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the Workers' Compensation Fund in securities lending transactions. As State Street Corporation is the custodian bank for the Workers' Compensation Fund, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2019, was approximately \$318.8 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2019, cash collateral received totaling \$58.4 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling \$58.4 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2019, was \$267.5 million.

During fiscal year 2019, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities

were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2019 (in millions):

US treasuries and agencies	\$	168.0
Mortgage-backed securities		99.5
Repurchase agreements		19.5
Commercial paper		14.9
Yankee CD		13.6
Cash equivalents and other		10.4
<b>Total Collateral Held</b>	<b>\$</b>	<b>325.9</b>

During fiscal year 2019, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2019, the cash collateral held had an average duration of 17.8 days and an average weighted final maturity of 98.3 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2019, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2019 resulting from a default by either the borrowers or the securities lending agents.

### 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using



effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2019, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2019. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

The following two schedules provide information about the

**Workers' Compensation Fund**

**Schedule of Maturities and Effective Duration**

**June 30, 2019**

*(expressed in thousands)*

Investment Type	Total Fair Value	Maturity				Effective Duration (in years)*
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	
Mortgage and other asset-backed securities	\$ 1,165,548	\$ 39,915	\$ 816,192	\$ 309,441	\$ —	4.1
Corporate bonds	10,082,114	1,398,333	4,108,920	1,944,077	2,630,784	6.4
U.S. government and agency securities	3,120,322	164,925	502,791	1,272,811	1,179,795	11.1
Foreign government and agencies	1,136,308	213,650	678,056	210,861	33,741	3.4
<b>Total Investments Categorized</b>	<b>15,504,292</b>	<b>\$ 1,816,823</b>	<b>\$ 6,105,959</b>	<b>\$ 3,737,190</b>	<b>\$ 3,844,320</b>	<b>6.9</b>

**Investments Not Required to be Categorized:**

Commingled investment trusts	2,809,079
Cash and cash equivalents	201,371
Total investments not categorized	3,010,450
<b>Total Investments</b>	<b>\$ 18,514,742</b>

\* Excludes cash and cash equivalents

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

**Workers' Compensation Fund**

**Investment Credit Ratings**

**June 30, 2019**

*(expressed in thousands)*

Moody's Equivalent Credit Rating	Investment Type			Total Fair Value
	Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agencies	
Aaa	\$ 1,165,548	\$ 600,828	\$ 272,760	\$ 2,039,136
Aa1	—	167,703	137,800	305,503
Aa2	—	238,593	245,966	484,559
Aa3	—	1,038,812	229,767	1,268,579
A1	—	1,491,084	186,782	1,677,866
A2	—	1,943,259	—	1,943,259
A3	—	1,530,048	—	1,530,048
Baa1	—	1,447,911	24,234	1,472,145
Baa2	—	1,132,057	38,999	1,171,056
Baa3	—	330,808	—	330,808
Ba1 or lower	—	161,011	—	161,011
<b>Total</b>	<b>\$ 1,165,548</b>	<b>\$ 10,082,114</b>	<b>\$ 1,136,308</b>	<b>\$ 12,383,970</b>

## 5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2019, were rated by Moody's and/or an equivalent national rating organization.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issues cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2019.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

## 6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2019, the only securities held by the Workers' Compensation Fund with foreign currency exposure were \$1.20 billion (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

The following schedule presents the exposure of the Workers' Compensation Fund to foreign currency risk. The schedule is stated in U.S. dollars.

### Workers' Compensation Fund

#### Foreign Currency Exposure by Country

June 30, 2019

(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	\$ 61,147
Brazil-Real	24,692
Canada-Dollar	86,126
Denmark-Krone	15,197
E.M.U.-Euro	260,294
Hong Kong-Dollar	96,877
Japan-Yen	208,942
New Taiwan-Dollar	38,349
Singapore-Dollar	12,248
South Africa-Rand	19,102
South Korea-Won	41,028
Sweden-Krona	25,981
Switzerland-Franc	73,301
United Kingdom-Pound	144,281
Miscellaneous Foreign Currencies	89,246
<b>Total</b>	<b>\$ 1,196,811</b>

## 7. Derivatives

To manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns, the Workers' Compensation Fund is authorized to utilize various derivative financial instruments including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. The Workers' Compensation Fund mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2019, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of \$560.4 million.

## **D. INVESTMENTS - LOCAL GOVERNMENT INVESTMENT POOL**

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### **1. Summary of Investment Policies**

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

The LGIP portfolio is invested in a manner that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification, and liquidity for external investment pools that elect to measure, for financial reporting purposes, all of its investments at amortized costs. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, WA 98504-0200, online at: <https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/>, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

**Investment Objectives.** In priority order, the objectives of the LGIP investment policy are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the State Treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

**Eligible Investments.** Eligible investments are only those securities and deposits authorized by statute (chapters 39.58 and 39.59 RCW, and RCW 43.84.080). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of supranational institutions provided that, at the time of investment, the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

**Investment Restrictions.** To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government and supranational floating or variable rate securities which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.

- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

**Participant Transactions.** The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

## 2. Valuation of Investments

Investments are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount.

Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

## 3. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP has contracted with Northern Trust as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non-coupon-bearing securities shall not be valued at less than 102 percent of fair value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2019, the LGIP lent U.S. agency and U.S. treasury securities while other securities were received as collateral. At fiscal year end, the fair value of securities on loan was \$705.5 million and the fair value of securities received for collateral was \$719.6 million.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2019, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrowers fail to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

## 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2019, the LGIP had a weighted average maturity of 43 days and a weighted average life of 82 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2019:

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**Local Government Investment Pool (LGIP)****Schedule of Maturities****June 30, 2019***(expressed in thousands)*

Investment Type	Amortized Cost	Maturity	
		Less than 1 Year	1-5 Years
U.S. agency securities	\$ 6,135,294	\$ 5,547,339	\$ 587,955
Repurchase agreements	3,950,000	3,950,000	—
U.S. treasury securities	3,451,487	3,251,577	199,910
Interest bearing bank accounts	2,757,186	2,757,186	—
Supranational securities	892,933	892,933	—
Certificates of deposit	194,250	194,250	—
<b>Total Investments</b>	<b>\$ 17,381,150</b>	<b>\$ 16,593,285</b>	<b>\$ 787,865</b>

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## 5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositories.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department.

Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and ensure the safety of the investment. All securities utilized in repurchase agreements were rated Aaa by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. treasury and U.S. agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 22.7 percent of the total portfolio as of June 30, 2019. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2019, U.S. treasury securities comprised 19.9 percent of the total portfolio. U.S. agency securities comprised 35.3 percent of the total portfolio, including Federal Home Loan Bank (24.5 percent) and Federal Farm Credit Bank (10.5 percent). Supranational securities comprised 5.2 percent of the total portfolio.

## 6. Repurchase Agreements

The fair value plus accrued income of securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement plus accrued interest.

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2019, repurchase agreements totaled \$3.95 billion.

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## E. INVESTMENTS - HIGHER EDUCATION SPECIAL REVENUE, ENDOWMENT, AND STUDENT SERVICES FUNDS

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### 1. Summary of Investment Policies

The investments of the University of Washington represent 79 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The University of Washington's Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the chief investment officer, carries out the day-to-day activities of the investment portfolios. The UWINCO Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the

custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2019, the Invested Funds Pool totaled \$1.9 billion. The fund also owns units in the Consolidated Endowment Fund valued at \$649.0 million on June 30, 2019.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75 percent in fiscal year 2019. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2019. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure in the CEF under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average of the CEF's market valuation.

Additionally, the policy allows for an administrative fee of 1 percent to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is \$30 thousand at June 30, 2019.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of \$169.0 million in fiscal year 2019 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2019, was \$220.7 million.

## **2. Valuation of Investments**

The University reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University holds significant amounts of investments that are measured at fair value on a recurring basis.

The following schedule presents the fair value of the University's investments by type at June 30, 2019:

University of Washington					
Investments Measured at Fair Value					
June 30, 2019					
(expressed in thousands)					
Investments by Fair Value Level	Fair Value	Fair Value Measurements Using			
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
<b>Fixed Income Securities</b>					
U.S. treasury	\$ 948,192	\$ 26,758	\$ 921,434	\$	—
U.S. government agency	388,414	11,068	377,346		—
Mortgage-backed	247,486	—	247,486		—
Asset-backed	278,752	—	278,752		—
Corporate and other	449,450	76,355	373,095		—
<b>Total Fixed Income Securities</b>	<b>2,312,294</b>	<b>114,181</b>	<b>2,198,113</b>		<b>—</b>
<b>Equity Securities</b>					
Global equity investments	603,348	598,195	5,153		—
Private equity and venture capital funds	132	—	—		132
Real estate	10,268	4,311	—		5,957
Other	16,080	7,039	880		8,161
<b>Total Equity Securities</b>	<b>629,828</b>	<b>609,545</b>	<b>6,033</b>		<b>14,250</b>
Externally managed trusts	130,795	—	—		130,795
<b>Total Investments by Fair Value Level</b>	<b>3,072,917</b>	<b>\$ 723,726</b>	<b>\$ 2,204,146</b>	<b>\$</b>	<b>145,045</b>
<b>Investments Measured at Net Asset Value (NAV)</b>					
Global equity investments	1,495,365				
Absolute return strategy funds	651,054				
Private equity and venture capital funds	451,191				
Real asset funds	164,931				
Other	69,189				
<b>Total Investments Measured at the NAV</b>	<b>2,831,730</b>				
<b>Total Investments Measured at Fair Value</b>	<b>5,904,647</b>				
Cash equivalents at amortized cost	87,189				
<b>Total Investments</b>	<b>\$ 5,991,836</b>				

**Investments classified as level 1.** Fixed income and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**Investments classified as level 2.** Fixed income and equity securities classified in level 2 are valued using other observable inputs including quoted prices for similar securities and interest rates.

**Investments classified as level 3.** Private equity, real assets, and other investments classified in level 3 are valued using either discounted cash flow or market comparable techniques.

**Investments measured at net asset value (NAV).** The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on net asset value (NAV) estimates used as a practical expedient and reported to the University by investment fund managers.

The information related to investments measured at the NAV per share (or its equivalent) is presented on the following table:

**University of Washington**  
**Investments Measured at the Net Asset Value**  
**June 30, 2019**  
*(expressed in thousands)*

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	\$ 1,495,365	\$ 14,523	Monthly to annually	15-180 days
Absolute return strategy funds	651,054	13,190	Quarterly to annually	30-90 days
Private equity and venture capital funds	451,191	387,288	n/a	—
Real asset funds	164,931	67,229	n/a	—
Other	69,189	38,916	Quarterly to annually	30-95 days
<b>Total Investments Measured at the NAV</b>	<b>\$ 2,831,730</b>			

*Global Equity.* This investment category includes public equity investments in separately managed accounts, long-only commingled funds, unconstrained limited partnerships, and passive market indices. As of June 30, 2019, approximately 79 percent of the value of the investments in this category can be redeemed within 90 days, and 92 percent can be redeemed within one year.

*Absolute Return.* This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Approximately 72 percent of the value of the investments in this category can be redeemed within one year.

*Private Equity.* This category includes buyout, venture, and special situations funds. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

*Real assets.* This category includes real estate, natural resources, and other hard assets. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

*Other.* This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Approximately 25 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contains restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

### 3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2019, the University had outstanding commitments to fund alternative investments in the amount of \$521.1 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

### 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio.

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.86 years at June 30, 2019.

### 5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average



quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk. However, all University investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.),

and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

Duration is a calculation of the number of years required to recover to the true cost of a bond. The duration presented below represents a broad average across all fixed income securities held in the CEF, Invested Funds Pool (IF or operating funds), and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

The following schedule summarizes the composition of the fixed income securities along with credit quality and effective duration measures at June 30, 2019. The schedule excludes \$41.5 million of fixed income securities held by component units. Fixed income held by externally managed trusts are also excluded. These amounts make up 1.79 percent of the University's fixed income investments.

**University of Washington**  
**Invested Funds Pool and Consolidated Endowment Fund**  
**Fixed Income Credit Quality and Effective Duration**  
**June 30, 2019**  
*(expressed in thousands)*

Investment Type	U.S. Government	Investment Grade*	Non- Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasury securities	\$ 921,434	\$ —	\$ —	\$ —	\$ 921,434	3.11
U.S. government agency	382,739	—	—	—	382,739	2.99
Mortgage-backed	—	198,360	37,698	11,428	247,486	3.52
Asset-backed	—	276,446	847	1,459	278,752	1.39
Corporate and other	—	358,195	24,205	58,020	440,420	2.11
<b>Total</b>	<b>\$ 1,304,173</b>	<b>\$ 833,001</b>	<b>\$ 62,750</b>	<b>\$ 70,907</b>	<b>\$ 2,270,831</b>	<b>2.86</b>

\* Investment grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

## 6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies

permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2019, of \$1.49 billion.

The following schedule, stated in U.S. dollars, details the market value of foreign denominated securities by currency type:

<b>University of Washington</b>	
<b>Consolidated Endowment Fund</b>	
<b>Foreign Currency Risk</b>	
<b>June 30, 2019</b>	
<i>(expressed in thousands)</i>	
<b>Foreign Currency</b>	<b>Amount</b>
Argentina-Peso	\$ 37,831
Australia-Dollar	26,747
Brazil-Real	88,404
Britain-Pound	89,330
Canada-Dollar	59,636
China-Renminbi	270,614
E.M.U.-Euro	206,129
Hong Kong-Dollar	41,264
India-Rupee	160,397
Japan-Yen	167,433
Mexico-Peso	26,487
Russia-Ruble	27,666
South Korea-Won	42,714
Sweden-Krona	43,459
Switzerland-Franc	35,895
Taiwan-Dollar	30,491
Remaining currencies	138,330
<b>Total</b>	<b>\$ 1,492,827</b>

## 7. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

As of June 30, 2019, the University had outstanding futures contracts with notional amounts totaling \$189.6 million and accumulated unrealized gains on these contracts totaled \$880 thousand. These accumulated unrealized gains are included in investments on the Statements of Net Position. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2019. The University had no hedging derivatives, only derivatives for investment purposes.

Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

The following schedule presents the significant terms for derivatives held as investments by the University at June 30, 2019:

<b>University of Washington</b>			
<b>Derivative Investments</b>			
<b>June 30, 2019</b>			
<i>(expressed in thousands)</i>			
<b>Description</b>	<b>Changes in Fair Value - Included in Investment Income (Loss)</b>	<b>Fair Value - Investment Derivative</b>	<b>Notional Amount</b>
	<b>Amount</b>	<b>Amount</b>	
Swaps fixed income - long	\$ —	\$ 113,705	\$ 113,705
Swaps fixed income - short	\$ (2,043)	\$ (115,748)	\$ (113,705)

## F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

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### 1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2019, a portion of the investment income reported by the General Fund was earned by other funds.

The State Treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

**Investment Objectives.** All Treasury/Trust funds will be invested in conformance with federal, state, and other legal requirements. The primary objectives of the portfolio shall be safety and liquidity, with return on investment a secondary objective.

Investments shall be undertaken in a manner that seeks preservation of capital in the overall portfolio. Because the investment portfolio must remain liquid to enable the State Treasurer to meet all cash requirements that can reasonably be anticipated, investments will be managed to maintain cash balances needed to meet daily obligations of the state. After assuring needed levels of safety and liquidity, the investment portfolio will be structured to attain a market rate of return.

**Eligible Investments.** Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 43.250, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to

member banks as determined by the board of governors of the Federal Reserve.

- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board (WSIB) regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the OST adheres to the investment policies and procedures adopted by the WSIB, per RCW 39.58.080.
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.
- Local Government Investment Pool (LGIP).
- Obligations of the state of Washington or its political subdivisions.

**Investment Restrictions.** To provide for the safety and liquidity of Treasury/Trust funds, the Cash Management Account investment portfolio is subject to the minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations is not allowed.
- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

**Limitations and Restrictions on LGIP Participant Withdrawals.** Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

## 2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The

following table presents fair value measurements as of June 30, 2019:

Office of the State Treasurer				
Cash Management Account				
Investments Measured at Fair Value				
June 30, 2019				
(expressed in thousands)				
Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>Debt securities</b>				
U.S. government securities	\$ 2,734,936	\$ —	\$ 2,734,936	\$ —
U.S. agency securities	1,233,525	—	1,233,525	—
Supranational securities	625,761	—	625,761	—
Corporate notes	158,261	—	158,261	—
<b>Total Investments Measured at Fair Value</b>	<b>\$ 4,752,483</b>	<b>\$ —</b>	<b>\$ 4,752,483</b>	<b>\$ —</b>

**Investments classified as level 2.** The debt securities classified as level 2 in the above table are valued using observable inputs including quoted prices for similar securities and interest rates.

issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2019, the fair value of securities on loan totaled \$570.7 million.

## 3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Northern Trust Company as a lending agent and receives a share of income earned from this activity. The lending agent lends U.S. government and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2019, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions, and there were no losses resulting from a default of a borrower or lending agent during the fiscal year.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2019, there was no cash collateral from securities lending.

## 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities'

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedules present the OST investments and related maturities, and provide information about the associated interest rate risks as of June 30, 2019:

<b>Office of the State Treasurer</b>				
<b>Cash Management Account</b>				
<b>Schedule of Maturities and Effective Duration</b>				
<b>June 30, 2019</b>				
<i>(expressed in thousands)</i>				
Investment Type	Total Fair Value	Maturity		
		Less than 1 Year	1-5 Years	6-10 Years
U.S. government securities	\$ 3,195,372	\$ 685,939	\$ 2,484,007	\$ 25,426
U.S. agency securities	1,304,989	453,967	851,022	—
Supranational securities	700,624	271,675	428,949	—
Corporate notes	159,510	50,162	109,348	—
Investments with LGIP	2,957,042	2,957,042	—	—
Certificates of deposit	158,287	158,287	—	—
Interest bearing bank accounts	287,920	287,920	—	—
<b>Total Investments</b>	<b>\$ 8,763,744</b>	<b>\$ 4,864,992</b>	<b>\$ 3,873,326</b>	<b>\$ 25,426</b>

Credit ratings of investments are presented using the Standard and Poor's (S&P) rating scale as follows:

<b>Office of the State Treasurer</b>			
<b>Cash Management Account</b>			
<b>Investment Credit Ratings</b>			
<b>June 30, 2019</b>			
<i>(expressed in thousands)</i>			
S&P Credit Rating	Investment Type		Total Fair Value
	Corporate Notes	Supranationals	
AAA	\$ 35,074	\$ 700,624	\$ 735,698
AA+	18,958	—	18,958
AA	42,529	—	42,529
AA-	28,849	—	28,849
A+	34,100	—	34,100
<b>Total</b>	<b>\$ 159,510</b>	<b>\$ 700,624</b>	<b>\$ 860,134</b>

## 5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in to U.S. government and agency securities, U.S. dollar denominated obligations of supranational institutions, commercial paper, corporate notes, and deposits with qualified public depositories. Investments in non-government securities may not exceed set percentages of the total daily portfolio size.

**Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in

the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and ensure the safety of the investment.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

## Note 4

### Receivables, Unearned, and Unavailable Revenues

#### A. GOVERNMENTAL FUNDS

##### Taxes Receivable

Taxes receivable at June 30, 2019, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	\$ 1,640,088	\$ —	\$ —	\$ 369	\$ 1,640,457
Sales	2,887,806	4,510	—	19,791	2,912,107
Business and occupation	1,020,429	—	—	121	1,020,550
Estate	541	25,865	—	—	26,406
Fuel	—	—	—	160,188	160,188
Beer and wine	—	—	—	5,575	5,575
Marijuana	—	—	—	35,805	35,805
Real estate excise	2,476	23	—	601	3,100
Insurance Premium	49	—	—	—	49
Public utilities	51,621	2,092	—	—	53,713
Hazardous substance	—	—	—	15,139	15,139
Syrup	8,179	—	—	—	8,179
Other	6,736	—	—	1,521	8,257
Subtotals	5,617,925	32,490	—	239,110	5,889,525
Less: Allowance for uncollectible receivables	772,281	3,148	—	2,625	778,054
<b>Total Taxes Receivable</b>	<b>\$ 4,845,644</b>	<b>\$ 29,342</b>	<b>\$ —</b>	<b>\$ 236,485</b>	<b>\$ 5,111,471</b>

##### Receivables

Receivables at June 30, 2019, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance <sup>(1)</sup>	\$ 544,718	\$ —	\$ —	\$ —	\$ 544,718
Accounts receivable	708,898	401,526	21,836	387,471	1,519,731
Interest	14,828	14,768	4,442	11,799	45,837
Investment trades pending	—	—	18	—	18
Loans <sup>(2)</sup>	6,364	110,212	—	539,038	655,614
Long-term contracts <sup>(3)</sup>	5,742	—	11,465	86,308	103,515
Miscellaneous	12	155	—	13	180
Subtotals	1,280,562	526,661	37,761	1,024,629	2,869,613
Less: Allowance for uncollectible receivables	581,748	28,458	—	91,939	702,145
<b>Total Receivables</b>	<b>\$ 698,814</b>	<b>\$ 498,203</b>	<b>\$ 37,761</b>	<b>\$ 932,690</b>	<b>\$ 2,167,468</b>

Notes:

<sup>(1)</sup> Public assistance receivables mainly represent amounts owed to the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

<sup>(2)</sup> Significant long-term portions of loans receivable include \$91.4 million in the Higher Education Special Revenue Fund for student loans and \$496.2 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

<sup>(3)</sup> Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

### Unearned Revenue

Unearned revenue at June 30, 2019, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	\$ 3,871	\$ —	\$ —	\$ —	\$ 3,871
Charges for services	117,338	220,393	—	26,358	364,089
Grants and donations	4,780	1,550	—	9,694	16,024
Tolls	—	—	—	24,101	24,101
Transportation	—	—	—	41,327	41,327
Miscellaneous	29,998	19,941	—	13,881	63,820
<b>Total Unearned Revenue</b>	<b>\$ 155,987</b>	<b>\$ 241,884</b>	<b>\$ —</b>	<b>\$ 115,361</b>	<b>\$ 513,232</b>

### Unavailable Revenue

Unavailable revenue at June 30, 2019, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	\$ 1,609,044	\$ —	\$ —	\$ 126	\$ 1,609,170
Other taxes	734,903	11,475	—	3,061	749,439
Timber sales	5,742	—	11,465	86,308	103,515
Transportation	—	—	—	5,968	5,968
Charges for services	2	—	—	5,111	5,113
Miscellaneous	4,658	—	—	29,652	34,310
<b>Total Unavailable Revenue</b>	<b>\$ 2,354,349</b>	<b>\$ 11,475</b>	<b>\$ 11,465</b>	<b>\$ 130,226</b>	<b>\$ 2,507,515</b>

## B. PROPRIETARY FUNDS

### Receivables

Receivables at June 30, 2019, consisted of the following (expressed in thousands):

Receivables	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Accounts receivable	\$ 916,556	\$ 496,880	\$ 398,761	\$ 213,966	\$ 2,026,163	\$ 62,392
Interest	118,786	—	1,279	2,344	122,409	2,143
Investment trades pending	—	—	—	205	205	—
Miscellaneous	5	—	37	1	43	2
Subtotals	1,035,347	496,880	400,077	216,516	2,148,820	64,537
Less: Allowance for uncollectible receivables	168,347	61,605	24,800	69	254,821	697
<b>Total Receivables</b>	<b>\$ 867,000</b>	<b>\$ 435,275</b>	<b>\$ 375,277</b>	<b>\$ 216,447</b>	<b>\$ 1,893,999</b>	<b>\$ 63,840</b>

### Unearned Revenue

Unearned revenue at June 30, 2019, consisted of the following (expressed in thousands):

Unearned Revenue	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Charges for services	\$ —	\$ —	\$ 53,525	\$ 794	\$ 54,319	\$ 4,336
Grants and donations	4,887	—	—	—	4,887	—
Other taxes	590	—	—	1,802	2,392	—
Miscellaneous	2,903	—	457	—	3,360	—
<b>Total Unearned Revenue</b>	<b>\$ 8,380</b>	<b>\$ —</b>	<b>\$ 53,982</b>	<b>\$ 2,596</b>	<b>\$ 64,958</b>	<b>\$ 4,336</b>

### Taxes Receivables

Taxes receivables at June 30, 2019, consisted of \$405 thousand for petroleum products, net of allowance.

## C. FIDUCIARY FUNDS

### Other Receivables

Receivables at June 30, 2019, consisted of \$29.1 million for interest and other miscellaneous amounts.

### Unearned Revenue

Unearned revenue at June 30, 2019, consisted of \$650 thousand for service credit restorations reported in Pension and Other Employee Benefit Plans.



## Note 5

### Interfund Balances and Transfers

#### A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2019, consisted of the following (expressed in thousands):

Due To	Due From				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ —	\$ 89,896	\$ 152	\$ 228,173	\$ 1,273
Higher Education Special Revenue	183,157	—	512,839	48,420	966
Higher Education Endowment	304	—	—	2	—
Nonmajor Governmental Funds	53,175	4,123	2,291	318,208	1,214
Workers' Compensation	8	442	—	1	—
Unemployment Compensation	1,204	1,348	—	537	39
Higher Education Student Services	476	66,232	—	100	61
Nonmajor Enterprise Funds	11,570	54	—	5,794	1,568
Internal Service Funds	34,316	7,240	—	28,802	4,074
<b>Totals</b>	<b>\$ 284,210</b>	<b>\$ 169,335</b>	<b>\$ 515,282</b>	<b>\$ 630,037</b>	<b>\$ 9,195</b>

Except as noted below, interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred.

Interfund balances include: (1) a \$12 thousand loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next year; (2) a \$2.5 million loan between nonmajor governmental funds which is expected to be paid over the next three years, and (3) a \$232.0 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of \$108.4 million within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals	
\$ 6	\$ 132	\$ 21,982	\$ 49,296	\$ —	\$ 390,910	
—	290,879	19	24,417	—	1,060,697	
—	420	—	—	—	726	
3,261	222	130	22,624	—	405,248	
—	16	—	—	—	467	
—	11	6	52	—	3,197	
—	—	60	57,374	—	124,303	
—	35	496	362	—	19,879	
—	13	834	37,059	87	112,425	
\$ 3,267	\$ 291,728	\$ 23,527	\$ 191,184	\$ 87	\$ 2,117,852	

## B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2019, consisted of the following (expressed in thousands):

Transferred From	Transferred To				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ —	\$ —	\$ 300	\$ 1,293,074	\$ —
Higher Education Special Revenue	61,193	—	34,999	95,131	—
Higher Education Endowment	—	179,795	—	29,161	—
Nonmajor Governmental Funds	466,794	167,579	503	1,434,557	—
Workers' Compensation	—	—	—	—	—
Unemployment Compensation	—	—	—	—	—
Higher Education Student Services	—	572,914	—	3,137	—
Nonmajor Enterprise Funds	202,615	—	—	26,931	—
Internal Service Funds	—	36,669	—	—	—
<b>Totals</b>	<b>\$ 730,602</b>	<b>\$ 956,957</b>	<b>\$ 35,802</b>	<b>\$ 2,881,991</b>	<b>\$ —</b>

Except as noted below, transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move profits from the Lottery Fund as required by law, and (5) transfer amounts to and from the General Fund as required by law.

On June 30, 2019, \$1.87 billion was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the state Constitution. The state Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of \$148.1 million within the state's Pension Trust Funds.

Transferred To									
Unemployment Compensation		Higher Education Student Services		Nonmajor Enterprise Funds	Internal Service Funds	Totals			
\$	—	\$	—	\$	2,666	\$	32,787	\$	1,328,827
	—		586,862		—		30,859		809,044
	—		—		—		—		208,956
	—		30		2		4,069		2,073,534
	—		—		—		—		—
	—		—		—		—		—
	—		—		—		547		576,598
	—		—		15,229		—		244,775
	—		57		—		12,274		49,000
\$	—	\$	586,949	\$	17,897	\$	80,536	\$	5,290,734

## Note 6

### Capital Assets

Capital assets at June 30, 2019, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

#### A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2019 (expressed in thousands):

Capital Assets	July 1, 2018*	Additions	Deletions/ Adjustments	June 30, 2019
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 2,767,470	\$ 56,669	\$ (6,900)	\$ 2,817,239
Transportation infrastructure	24,988,948	531,403	(22,720)	25,497,631
Intangible assets - indefinite lives	34,567	—	—	34,567
Art collections, library reserves, and museum and historical collections	122,946	29,208	(97)	152,057
Construction in progress	1,031,655	481,989	(567,160)	946,484
<b>Total Capital Assets, Not Being Depreciated</b>	<b>28,945,586</b>			<b>29,447,978</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	14,669,007	567,312	(66,986)	15,169,333
Accumulated depreciation	(6,029,160)	(403,990)	33,304	(6,399,846)
Net buildings	8,639,847			8,769,487
Other improvements	1,604,560	38,409	(4,911)	1,638,058
Accumulated depreciation	(856,169)	(45,090)	4,671	(896,588)
Net other improvements	748,391			741,470
Furnishings, equipment, and intangible assets	5,705,973	460,736	(135,457)	6,031,252
Accumulated depreciation	(3,618,606)	(321,522)	118,007	(3,822,121)
Net furnishings, equipment, and intangible assets	2,087,367			2,209,131
Infrastructure	1,246,611	42,971	—	1,289,582
Accumulated depreciation	(632,320)	(44,177)	—	(676,497)
Net infrastructure	614,291			613,085
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>12,089,896</b>			<b>12,333,173</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 41,035,482</b>			<b>\$ 41,781,151</b>

\* The beginning balances reflect prior period adjustments by the State Board for Community and Technical Colleges related to the implementation of a new Enterprise Resources Planning system, which resulted in a decrease in capital assets of \$10.6 million and an increase in accumulated depreciation of \$2.1 million.

## B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2019 (expressed in thousands):

Capital Assets	Balances July 1, 2018*	Additions	Deletions/ Adjustments	June 30, 2019
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 70,890	\$ 2,991	\$ —	\$ 73,881
Intangible assets - indefinite lives	4,580	—	—	4,580
Art collections	40	—	—	40
Construction in progress	456,770	194,523	(419,962)	231,331
<b>Total Capital Assets, Not Being Depreciated</b>	<b>532,280</b>			<b>309,832</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	3,926,726	461,259	(9,059)	4,378,926
Accumulated depreciation	(1,394,777)	(143,024)	7,101	(1,530,700)
Net buildings	2,531,949			2,848,226
Other improvements	107,523	14,960	(3)	122,480
Accumulated depreciation	(60,796)	(5,207)	1	(66,002)
Net other improvements	46,727			56,478
Furnishings, equipment, and intangible assets	1,005,805	48,163	(44,053)	1,009,915
Accumulated depreciation	(809,850)	(59,049)	33,483	(835,416)
Net furnishings, equipment, and intangible assets	195,955			174,499
Infrastructure	59,019	443	(51)	59,411
Accumulated depreciation	(31,220)	(1,727)	—	(32,947)
Net infrastructure	27,799			26,464
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>2,802,430</b>			<b>3,105,667</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 3,334,710</b>			<b>\$ 3,415,499</b>

\* The beginning balances reflect prior period adjustments by the State Board for Community and Technical Colleges related to the implementation of a new Enterprise Resources Planning system, which resulted in a decrease in capital assets of \$617 thousand and a decrease in accumulated depreciation of \$182 thousand.

## **C. DEPRECIATION**

Depreciation expense for the year ended June 30, 2019, was charged by the primary government as follows (expressed in thousands):

	<b>Amount</b>
<b>Governmental Activities:</b>	
General government	\$ 103,776
Education - elementary and secondary (K-12)	3,493
Education - higher education	466,697
Human services	42,491
Adult corrections	37,939
Natural resources and recreation	45,448
Transportation	114,935
<b>Total Depreciation Expense - Governmental Activities *</b>	<b>\$ 814,779</b>
<b>Business-Type Activities:</b>	
Workers' compensation	\$ 7,407
Unemployment compensation	—
Higher education student services	198,722
Other	2,878
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ 209,007</b>

\* Includes \$107.1 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

## D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2019, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2019	Remaining Project Commitments
<b>Office of the Secretary of State:</b>		
Library-Archives building	\$ 460	\$ 107,683
<b>Washington State Patrol:</b>		
Fire Training Academy aircraft rescue repairs, Burn Building, and stormwater remediation	2,040	12,242
Ridgefield Port of Entry reconstruction, and other projects	4,461	1,225
<b>Military Department:</b>		
Thurston County Readiness Center	6,461	29,255
<b>Department of Social and Health Services:</b>		
Residential housing unit renovations and other projects	28,288	65,279
State hospitals	44,061	90,773
<b>Department of Corrections:</b>		
Correctional center units security and safety improvements, and other projects	6,358	14,260
Facility expansions	10,733	5,180
<b>Department of Transportation:</b>		
State ferry vessels and terminals, and other projects	349,750	333,097
Transportation infrastructure	—	2,022,811
<b>Department of Fish and Wildlife:</b>		
Soos Creek, Clarks Creek, and Kalama hatcheries, Fir Island Farm, Deschutes Watershed, and other projects	66,842	142,068
<b>Employment Security Department:</b>		
Family and Medical Leave system	27,892	9,621
<b>University of Washington:</b>		
Construction for research facility - Washington Biomedical Research Properties	12,774	15,711
Denny Field, north campus student housing, and Stevens Court	7,489	55,530
NW Hospital Birthing Center, and UW Medical Center expansion and renovation projects	39,860	2,615
Parking restripe - Seattle campus master plan, Bothell corporation yard, and other athletic projects	3,406	6,055
Population Health, Burke Museum, Bill & Melinda Gates Center for Computer Science & Engineering construction, Kincaid Hall, Health and Sciences Center, and Parrington Hall renovation, seismic improvements, Tacoma soils remediation and other projects.	105,716	175,946
<b>Washington State University:</b>		
Baseball clubhouse, and other athletic projects	402	10,219
Chief Joseph building, Wilmer Davis renovation, and other housing projects	2,946	50,055
Modernization initiative, and miscellaneous projects	11,878	24,802
Plant Science, Global Animal Health, Tri Cities academic, and other facility projects	54,574	32,541
<b>Eastern Washington University:</b>		
Interdisciplinary Science Center renovation	22,011	55,000
<b>Central Washington University:</b>		
Dugmore Hall construction	37,879	—
Nutrition Ed and Health Sciences building, old heat plant, and other projects	15,253	—
<b>The Evergreen State College:</b>		
Housing and miscellaneous projects	6,793	9,568
<b>Western Washington University:</b>		
Multicultural student center	21,166	1,028
New residence hall, Buchanan Towers residence hall renovation, and other projects	24,619	71,680
Science building renovation and addition	2,439	63,987
<b>Community and Technical Colleges:</b>		
Bellevue Student Success Center	25,482	15,640
Big Bend Professional Technical building	31,241	20,631
Cascadia parking garage	2,369	27,856
Clover Park center for advanced manufacturing	35,257	3,260
Edmonds Science, Engineering and Technology building project	23,625	30,792
Highline Health and Life Science building	18,441	—
Shoreline student housing	24,595	6,505
Spokane main building renovation	13,843	3,825
Whatcom student housing and learning commons	34,413	31,182
Other miscellaneous community college projects	29,373	45,232
<b>Other Agency Projects:</b>	22,625	19,410
<b>Total Construction in Progress</b>	<b>\$ 1,177,815</b>	<b>\$ 3,612,564</b>



# Note 7

## Long-Term Liabilities

### A. BONDS AND NOTES PAYABLE

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Bonds payable at June 30, 2019, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the Legislature or by a body designated by statute (presently the State Finance Committee).

Authorization arises in the following situations:

- From an affirmative vote of 60 percent of the members of each house of the Legislature without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below.
- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below.
- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

#### Legal Debt Limitation

The state Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.25 percent and will decline to 8.00 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of

debt service that may be paid by the state in future years. The state Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2019 is \$1.51 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues. Of the \$19.33 billion general obligation bond debt principal outstanding at June 30, 2019, \$11.67 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2019, did not exceed the authorized debt service limitation.

For further information on the debt limit, refer to the Report on the State of Washington's Debt Limitation available from the Office of the State Treasurer at <https://tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-2019-final.pdf> or to Schedule 11 in the Statistical Section of this report.

#### Authorized But Unissued

The state had a total of \$15.75 billion in general obligation bonds authorized but unissued as of June 30, 2019, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

#### Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.80 to 6.03 percent. Interest rates on revenue bonds range from 1.00 to 7.40 percent.

### Debt Service Requirements to Maturity

#### General Obligations Bonds

General obligation bonds have been authorized and issued primarily to provide funds for the following purposes:

- Acquisition and construction of state and common school capital facilities.
- Transportation construction and improvement projects.
- Assistance to local governments for public works capital projects.
- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, phone number (360) 902-9000 or TTY 711, or by visiting their website at <http://www.tre.wa.gov/about-us/resources/annual-reports>.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2019, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>By Fiscal Year:</b>						
2020	\$ 1,009,612	\$ 971,684	\$ —	\$ —	\$ 1,009,612	\$ 971,684
2021	988,020	913,995	—	—	988,020	913,995
2022	996,397	849,791	—	—	996,397	849,791
2023	1,006,917	805,775	—	—	1,006,917	805,775
2024	1,021,924	761,509	—	—	1,021,924	761,509
2025-2029	5,084,993	3,111,833	—	—	5,084,993	3,111,833
2030-2034	4,550,581	1,762,823	—	—	4,550,581	1,762,823
2035-2039	3,199,420	774,883	—	—	3,199,420	774,883
2040-2044	1,474,765	142,022	—	—	1,474,765	142,022
<b>Total Debt Service Requirements</b>	<b>\$ 19,332,629</b>	<b>\$ 10,094,315</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 19,332,629</b>	<b>\$ 10,094,315</b>

### Revenue Bonds

Revenue bonds are authorized under current state statutes, which provide for the issuance of bonds that are not supported or not intended to be supported, by the full faith and credit of the state.

general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2019, include \$964.7 million in governmental activities and \$1.75 billion in business-type activities.

### General Revenue

The University of Washington and Washington State University issue general revenue bonds that are payable from

### Pledged Revenue

The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2019, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>By Fiscal Year:</b>						
2020	\$ 135,460	\$ 98,087	\$ 122,665	\$ 99,723	\$ 258,125	\$ 197,810
2021	136,046	91,738	73,029	96,507	209,075	188,245
2022	153,287	85,077	76,368	93,018	229,655	178,095
2023	160,346	78,495	76,912	91,362	237,258	169,857
2024	161,522	70,593	76,129	87,706	237,651	158,299
2025-2029	369,571	278,729	402,889	380,535	772,460	659,264
2030-2034	344,107	205,010	409,070	283,545	753,177	488,555
2035-2039	313,700	127,708	418,278	187,166	731,978	314,874
2040-2044	221,078	66,672	385,139	85,497	606,217	152,169
2045-2049	149,900	33,307	96,124	29,276	246,024	62,583
2050-2054	43,480	4,102	—	—	43,480	4,102
<b>Total Debt Service Requirements</b>	<b>\$ 2,188,497</b>	<b>\$ 1,139,518</b>	<b>\$ 2,136,603</b>	<b>\$ 1,434,335</b>	<b>\$ 4,325,100</b>	<b>\$ 2,573,853</b>

Governmental activities include revenue bonds outstanding at June 30, 2019, of \$152.1 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued \$517.9 million in bonds and transferred \$450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is \$202.2 million, payable through 2033. For the current year, both pledged revenue and debt service were \$35.6 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2019, of \$516.7 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is \$597.4 million, payable through 2024. For the current year, both pledged revenue and debt service were \$99.9 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2019, of \$293.7 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is \$517.0 million, payable through 2051. For the current year both pledged revenue and debt service were \$12.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2019, of \$35.8 million issued by TOP, which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged

under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is \$45.0 million, payable through 2029. For the current year, both pledged revenue and debt service were \$3.9 million.

Governmental activities include revenue bonds outstanding at June 30, 2019, of \$224.8 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is \$360.1 million, payable through 2039. For the current year, both pledged revenue and debt service were \$21.1 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2019, of \$670 thousand issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is \$753 thousand payable through 2022. For the current year, both pledged revenue and debt service were \$1.5 million.

The state's colleges and universities may issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

The state colleges and universities may also enter into financing agreements directly with investors or lenders that are not offered for public sale.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2019, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	\$ 45,945	\$ 17,905	\$ 216
Current year debt service	23,136	8,866	202
Total future revenues pledged *	387,957	93,006	3,033
Description of debt	Housing and dining bonds issued in 1998-2018	Student facilities bonds issued in 2004-2015	Bookstore bonds issued in 2013
Purpose of debt	Construction and renovation of student housing and dining facilities	Construction and renovation of student activity and sports facilities	Construction of a new bookstore as part of a new student union and recreation building
Term of commitment	2026-2049	2032-2039	2034
Percentage of debt service to pledged revenues (current year)	50.35%	49.52%	93.55%

\*Total future principal and interest payments.

## B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2019, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of

participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2019, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
<b>By Fiscal Year:</b>						
2020	\$ 167,870	\$ 54,190	\$ 6,317	\$ 2,039	\$ 174,187	\$ 56,229
2021	66,527	25,937	17,158	6,690	83,685	32,627
2022	61,886	22,779	15,962	5,875	77,848	28,654
2023	53,052	19,816	13,683	5,111	66,735	24,927
2024	40,989	17,272	10,572	4,455	51,561	21,727
2025-2029	166,538	60,242	42,953	15,538	209,491	75,780
2030-2034	94,096	30,237	24,269	7,799	118,365	38,036
2035-2039	64,833	11,893	16,722	3,067	81,555	14,960
2040-2044	17,286	2,388	4,459	616	21,745	3,004
<b>Total Debt Service Requirements</b>	<b>\$ 733,077</b>	<b>\$ 244,754</b>	<b>\$ 152,095</b>	<b>\$ 51,190</b>	<b>\$ 885,172</b>	<b>\$ 295,944</b>

## C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

### Current Year Defeasances

#### Bonds

##### Business-Type Activities

On March 5, 2019, the state issued \$227.9 million in lease revenue refunding bonds with an average interest rate of 5.0 percent to refund \$267.4 million of lease revenue bonds with an average interest rate of 5.5 percent. The refunding resulted in \$71.1 million gross debt service savings over the next 20 years and an economic gain of \$54.1 million.

### Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates of participation in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates of participation.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates of participation are not included in the state's financial statements.

#### General Obligation Bond Debt

On June 30, 2019, \$2.08 billion of general obligation bond debt outstanding is considered defeased.

#### Revenue Bond Debt

On June 30, 2019, \$138 thousand of revenue bond debt outstanding is considered defeased.

## D. LEASES

Leases at June 30, 2019, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2019, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 6,455	\$ 4,512
Equipment	43,167	11,419
Less: Accumulated Depreciation	(2,937)	(10,422)
<b>Totals</b>	<b>\$ 46,685</b>	<b>\$ 5,509</b>

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2019, (expressed in thousands):

Capital and Operating Leases	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
<b>By Fiscal Year:</b>				
2020	\$ 921	\$ 2,270	\$ 214,983	\$ 52,330
2021	722	2,007	187,010	42,725
2022	665	1,785	142,193	36,459
2023	658	1,046	103,748	29,421
2024	289	—	73,554	15,523
2025-2029	968	—	171,975	56,526
2030-2034	1,203	—	29,808	48,694
2035-2039	1,497	—	20,531	55,996
2040-2044	2,008	—	12,976	64,771
2045-2049	—	—	345	74,928
<b>Total Future Minimum Payments</b>	<b>8,931</b>	<b>7,108</b>	<b>957,123</b>	<b>477,373</b>
Less: Executory Costs and Interest Costs	(102)	(361)	—	—
<b>Net Present Value of Future Minimum Lease Payments</b>	<b>\$ 8,829</b>	<b>\$ 6,747</b>	<b>\$ 957,123</b>	<b>\$ 477,373</b>

The total operating lease rental expense for fiscal year 2019 for governmental activities was \$419.1 million, of which \$93 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2019 for business-type activities was \$62.0 million.

## E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation is a business-type activity, and risk management and health insurance are governmental activities. A description of the risks to which the state is exposed by these activities and the ways in which the state handles the risks are presented in Note 1.E.

### Workers' Compensation

At June 30, 2019, \$40.21 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of \$29.17 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 6.0 percent for all

self-insured pension annuities and state fund pension annuities and 4.5 percent for state fund pension annuities to arrive at a settlement value.

The claims and claim adjustment liabilities of \$29.17 billion as of June 30, 2019, include \$15.22 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded. These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of \$13.95 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2018 and 2019 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2018	\$ 26,640,538	3,445,361	(2,311,596)	\$ 27,774,303
2019	\$ 27,774,303	3,764,150	(2,371,634)	\$ 29,166,819

### Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the

University of Washington and the Department of Transportation Ferries Division. The fund reports a tort liability when it becomes probable that a loss has occurred

and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2019, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were \$649.1 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

Changes in the balances of risk management claims liabilities during fiscal years 2018 and 2019 were as follows (expressed in thousands):

<b>Risk Management Fund</b>	<b>Balances Beginning of Fiscal Year</b>	<b>Incurred Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Tort Defense Payments</b>	<b>Balances End of Fiscal Year</b>
2018	\$ 603,027	119,033	(85,174)	(21,974)	\$ 614,912
2019	\$ 614,912	329,536	(270,742)	(24,611)	\$ 649,095

### Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2019, health insurance claims liabilities totaling \$104.8 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2018 and 2019 were as follows (expressed in thousands):

<b>Health Insurance Fund</b>	<b>Balances Beginning of Fiscal Year</b>	<b>Incurred Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balances End of Fiscal Year</b>
2018	\$ 83,891	1,204,084	(1,195,596)	\$ 92,379
2019	\$ 92,379	1,278,043	(1,265,576)	\$ 104,846

## **F. POLLUTION REMEDIATION**

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The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology, and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 17 projects in progress for which the state has recorded a liability of \$60.5 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2019, the state has recorded a liability of \$72.3 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of \$132.8 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined; consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

## **G. ASSET RETIREMENT OBLIGATIONS**

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The state reports asset retirement obligations in accordance with GASB Statement No. 83. The liability reported is based on the best estimate, using all available evidence, of the current value of outlays expected to be incurred.

The state and its agencies have identified several legally enforceable liabilities associated with the retirement of a tangible capital asset due to requirements included in state laws and contracts. The types of assets include nuclear radiation plants, communication towers, and medical equipment such as cyclotrons, magnetic resonance imaging machines, and tandem accelerators. The estimated remaining useful life of the tangible capital asset range from 1-15 years.

The state has recorded an asset retirement obligation of \$25.2 million, measured at its current value. The overall estimate is based on professional judgment, experience, and historical cost data.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to retire the tangible capital asset. Additionally, the responsibilities and liabilities discussed in this disclosure are referenced solely in the accounting context for purposes of this disclosure.

This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

Some tangible capital assets have been identified as having a legally enforceable liability associated with the retirement of a tangible capital asset, but the liability is not yet reasonably estimable. Some examples include dams, sewer lagoons, waste ponds, and state owned communication towers. Estimates are not currently available as the state has no past experience decommissioning these types of assets, or the assets are maintained indefinitely so an estimated remaining useful life is unknown. Once the liability is reasonably estimable, the state will record a liability for the obligation.



## H. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2019, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2019 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2018*	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
<b>Long-Term Debt:</b>					
GO Bonds Payable:					
General obligation (GO) bonds	\$ 18,822,370	\$ 1,140,235	\$ 937,305	\$ 19,025,300	\$ 960,590
GO - zero coupon bonds (principal)	358,718	—	51,389	307,329	49,022
Subtotal - GO bonds payable	19,181,088	1,140,235	988,694	19,332,629	1,009,612
Accreted interest - GO - zero coupon bonds	433,372	—	32,219	401,153	77,338
Revenue bonds payable	2,297,095	286,928	395,526	2,188,497	135,460
Plus: Unamortized premiums on bonds sold	1,730,816	69,348	2,234	1,797,930	—
<b>Total Bonds Payable</b>	<b>23,642,371</b>	<b>1,496,511</b>	<b>1,418,673</b>	<b>23,720,209</b>	<b>1,222,410</b>
<b>Other Liabilities:</b>					
Certificates of participation	735,809	97,420	100,152	733,077	167,870
Plus: Unamortized premiums on COPs sold	19,927	3,900	4,138	19,689	—
Claims and judgments payable	1,006,509	161,182	78,813	1,088,878	403,336
Installment contracts	1,454	—	137	1,317	137
Leases	9,728	10	909	8,829	879
Compensated absences	680,754	470,228	451,167	699,815	100,035
Net pension liability	4,044,132	1,288,595	1,999,337	3,333,390	14,493
OPEB liability	5,115,252	453,468	1,115,187	4,453,533	81,772
Pollution remediation obligations	151,414	13,415	31,991	132,838	—
Unclaimed property refunds	244,004	6,669	504	250,169	6,601
Asset retirement obligations	31,550	2,040	8,422	25,168	—
Other	329,303	136,194	105,553	359,944	31,772
<b>Total Other Liabilities</b>	<b>12,369,836</b>	<b>2,633,121</b>	<b>3,896,310</b>	<b>11,106,647</b>	<b>806,895</b>
<b>Total Long-Term Debt</b>	<b>\$ 36,012,207</b>	<b>\$ 4,129,632</b>	<b>\$ 5,314,983</b>	<b>\$ 34,826,856</b>	<b>\$ 2,029,305</b>

\* The beginning balance of other liabilities and compensated absences have been restated by \$325 thousand and \$4.9 million, respectively, as a result of the State Board for Community and Technical Colleges properly recording prior balances related to the implementation of a new Enterprise Resource Planning system. The beginning balance of the asset retirement obligations has been restated by \$31.5 million as a result of implementing GASB Statement No. 83.

For governmental activities, certificates of participation are being repaid approximately 26 percent from the General Fund, 35 percent from the Higher Education Special Revenue Fund, 16 percent from the Motor Vehicle Fund (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 45 percent by the General Fund, 34 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 59 percent by the Risk Management Fund (a nonmajor internal service fund), 13 percent by the Health Insurance Fund (a nonmajor internal service fund), and the balance by various other governmental funds. The other post employment benefits

liability will be liquidated approximately 40 percent by the General Fund, 28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 47 percent by the General Fund, 33 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 76 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2019 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2018*	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
<b>Long-Term Debt:</b>					
Revenue bonds payable	\$ 2,140,974	\$ 72,272	\$ 76,643	\$ 2,136,603	\$ 122,665
Plus: Unamortized premiums on bonds sold	185,520	11,989	17,278	180,231	—
<b>Total Bonds Payable</b>	<b>2,326,494</b>	<b>84,261</b>	<b>93,921</b>	<b>2,316,834</b>	<b>122,665</b>
<b>Other Liabilities:</b>					
Certificates of participation	107,365	50,105	5,375	152,095	6,317
Plus: Unamortized premiums on COPs sold	12,786	9,263	991	21,058	—
Claims and judgments payable	27,791,295	2,503,139	1,109,353	29,185,081	2,160,477
Installment contracts	62,695	145	1,125	61,715	3,307
Lottery prize annuities payable	127,512	24,378	30,637	121,253	14,001
Tuition benefits payable	1,707,000	75,740	676,740	1,106,000	85,000
Leases	9,066	15,912	18,231	6,747	2,089
Compensated absences	85,160	42,195	35,628	91,727	57,672
Net pension liability	516,120	141,046	259,284	397,882	781
OPEB liability	706,700	68,597	153,673	621,624	11,414
Other	79,591	26,339	8,613	97,317	7,975
<b>Total Other Liabilities</b>	<b>31,205,290</b>	<b>2,956,859</b>	<b>2,299,650</b>	<b>31,862,499</b>	<b>2,349,033</b>
<b>Total Long-Term Debt</b>	<b>\$ 33,531,784</b>	<b>\$ 3,041,120</b>	<b>\$ 2,393,571</b>	<b>\$ 34,179,333</b>	<b>\$ 2,471,698</b>

\* The beginning balance of compensated absences has been reduced by \$13 thousand as a result of the State Board for Community and Technical Colleges properly recording prior balances related to the implementation of a new Enterprise Resource Planning system.

## Note 8 No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds and other debt for the purpose of making loans to qualified

borrowers for capital acquisitions, construction, and related improvements.

The debt does not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their full faith and credit for the payment of such debt.

Debt service is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the debt issued by these financing authorities is excluded from the state's financial statements.

The schedule below presents the June 30, 2019, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Other Bonds and Notes	Direct Placement	Total Principal Balance
Washington State Housing Finance Commission	\$ 2,530,867	\$ 2,772,167	\$ 5,303,034
Washington Health Care Facilities Authority	5,583,925	—	5,583,925
Washington Higher Education Facilities Authority	310,245	302,436	612,681
Washington Economic Development Finance Authority	694,275	—	694,275
<b>Total No Commitment Debt</b>	<b>\$ 9,119,312</b>	<b>\$ 3,074,603</b>	<b>\$ 12,193,915</b>

# Note 9

## Governmental Fund Balances

### A. GOVERNMENTAL FUNDS

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2019, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>					
Permanent funds	\$ —	\$ —	\$ 2,513,961	\$ 219,338	\$ 2,733,299
Consumable inventories and prepaids	14,376	31,010	—	46,679	92,065
Other receivables – long-term	35,238	—	—	—	35,238
<b>Total Nonspendable Fund Balance</b>	<b>\$ 49,614</b>	<b>\$ 31,010</b>	<b>\$ 2,513,961</b>	<b>\$ 266,017</b>	<b>\$ 2,860,602</b>
<b>Restricted for: *</b>					
Higher education	\$ —	\$ 43,808	\$ 1,883,988	\$ —	\$ 1,927,796
Education	—	—	9,180	47,342	56,522
Transportation	—	—	—	838,450	838,450
Other purposes	—	—	—	5,369	5,369
Human services	—	—	3,606	596,178	599,784
Wildlife and natural resources	—	—	1	1,141,072	1,141,073
Local grants and loans	79,893	—	—	117	80,010
School construction	1,144	—	—	50,423	51,567
Budget stabilization	1,618,449	—	—	—	1,618,449
Debt service	—	—	—	53,071	53,071
Pollution remediation	—	—	—	62,769	62,769
Operations and maintenance	—	—	—	11,856	11,856
Repair and replacement	—	—	—	23,811	23,811
Revenue stabilization	—	—	—	28,805	28,805
Deferred Sales Tax	—	—	—	4,500	4,500
Third tier debt service	—	—	—	7,179	7,179
Fourth tier debt service	—	—	—	1,866	1,866
<b>Total Restricted Fund Balance</b>	<b>\$ 1,699,486</b>	<b>\$ 43,808</b>	<b>\$ 1,896,775</b>	<b>\$ 2,872,808</b>	<b>\$ 6,512,877</b>
<b>Committed for:</b>					
Higher education	\$ 157,417	\$ 3,788,452	\$ —	\$ 37,402	\$ 3,983,271
Education	622	—	—	4,439	5,061
Transportation	—	—	—	402,781	402,781
Other purposes	496,683	—	—	351,906	848,589
Human services	14,840	—	—	767,064	781,904
Wildlife and natural resources	14,996	—	—	439,795	454,791
Local grants and loans	61	—	—	829,042	829,103
State facilities	—	—	—	2,305	2,305
Debt service	—	—	—	346,365	346,365
<b>Total Committed Fund Balance</b>	<b>\$ 684,619</b>	<b>\$ 3,788,452</b>	<b>\$ —</b>	<b>\$ 3,181,099</b>	<b>\$ 7,654,170</b>
<b>Assigned for:</b>					
Working capital	\$ 1,416,952	\$ 107,300	\$ —	\$ —	\$ 1,524,252
<b>Total Assigned Fund Balance</b>	<b>\$ 1,416,952</b>	<b>\$ 107,300</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,524,252</b>

\*Net position restricted as a result of enabling legislation totaled \$11.1 million.

## B. Budgetary Stabilization Account

In accordance with Article 7, Section 12 of the Washington state Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if

the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2019, the Budget Stabilization Account had restricted fund balance of \$1.62 billion.

## Note 10 Deficit Net Position

### Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of \$74.6 million at June 30, 2019. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

The Data Processing Revolving Fund is supported by user charges. Due to budgetary considerations, user rates are designed to cover cash outflows including debt service as opposed to the full cost of services which includes depreciation. Since the Data Processing Revolving Fund reports a debt-financed building, this funding approach has an impact on net position. Debt service allocates principal retirement on a straight-line basis. Depreciation on the fund's building is componentized, which accelerates expense in the early years of the building's life. As a result, the fund reports both an operating loss and a negative net investment in capital assets.

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2018	\$ (102,262)
Fiscal year 2019 activity	27,632
Balance, June 30, 2019	<u>\$ (74,630)</u>

### Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of \$782.3 million at June 30, 2019. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment

of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the SILP in excess of 50 percent

of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is a deficit net position.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

<b>Risk Management Fund</b>	<b>Net Position</b>
<b>Balance, July 1, 2018</b>	\$ (646,826)
Fiscal year 2019 activity	(135,513)
<b>Balance, June 30, 2019</b>	<u><u>\$ (782,339)</u></u>

### State Facilities Fund

The State Facility Fund, a capital projects fund, had a deficit fund balance of \$3.9 million at June 30, 2019. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property. Costs were incurred during fiscal year 2019, but the bonds to support these projects were not issued until after June 30, 2019, resulting in a deficit fund balance.

The following schedule details the change in fund balance for the State Facilities Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

<b>State Facilities Fund</b>	<b>Fund Balance</b>
<b>Balance, July 1, 2018</b>	\$ 284,666
Fiscal year 2019 activity	(288,572)
<b>Balance, June 30, 2019</b>	<u><u>\$ (3,906)</u></u>

### Lottery Fund

The Lottery Fund, an enterprise fund, had a deficit net position of \$12.6 million at June 30, 2019. The Lottery Fund is primarily used to record lottery ticket revenues, and to account for activities such as administrative and operating expenses of the Lottery Commission and the distribution of revenues.

expenses include cost of sales and administrative expenses. The Lottery Fund is statutorily required to distribute the majority of its net income to fund education.

The Lottery Fund is supported by operating revenue which is comprised of sales from Draw and Scratch games, as well as administration fees charged to retailers. Operating

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Lottery Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

<b>Lottery Fund</b>	<b>Net Position</b>
<b>Balance, July 1, 2018</b>	\$ (15,417)
Fiscal year 2019 activity	2,823
<b>Balance, June 30, 2019</b>	<u><u>\$ (12,594)</u></u>

### Other Activities Fund

The Other Activities Fund, an enterprise fund, had a deficit net position of \$3.6 million at June 30, 2019. The Other Activities Fund is used to account for operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

The Other Activities Fund is supported by various operating

revenues which are comprised of charges for services, and premiums and assessments. Operating expenses include cost of goods and services, and administrative expenses.

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Other Activities Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Other Activities Fund	Net Position
Balance, July 1, 2018	\$ (7,604)
Fiscal year 2019 activity	3,957
Balance, June 30, 2019	<u>\$ (3,647)</u>

## Note 11

### Retirement Plans

#### A. GENERAL

Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with GASB Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally, the state Legislature authorizes state agency participation in plans other than those administered by the state.

**Basis of Accounting.** Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of

resources related to pensions, pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans for the state as an employer, for fiscal year 2019 (expressed in thousands):

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ 3,731,272
Pension assets	\$ (2,397,274)
Deferred outflows of resources on pensions	\$ 1,262,119
Deferred inflows of resources on pensions	\$ 1,646,508
Pension expense/expenditures	\$ (110,213)

**Investments.** The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

**Department of Retirement Systems.** As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and 3 defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- School Employees' Retirement System (SERS)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
  - Defined benefit plan
- Judges' Retirement Fund (Judges)
  - Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of political subdivisions that elect to participate a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report>.

**State Board for Volunteer Fire Fighters and Reserve Officers.** As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

**Administrative Office of the Courts.** As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

**Higher Education.** As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (funded on a pay-as-you-go basis) which is administered by the state.

The state has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the Higher Education Supplemental Retirement Plan.

## **B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS**

### **1. DRS Plans - Employer Disclosures**

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

#### **Public Employees' Retirement System**

**Plan Description.** The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme

Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

**Benefits Provided.** PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index.

The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months. PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

**Contributions.** PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw



total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount rate.** The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

**Collective Net Pension Liability/(Asset).** At June 30, 2019, the state reported \$1.87 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and \$860.8 million for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.97 percent, an increase of 0.09 percent since the prior reporting period, and 50.41 percent for PERS Plan 2/3, an increase of 0.21 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

<b>PERS Plan 1</b>	
<b>Employer's Proportionate Share of Net Pension Liability/(Asset)</b>	
1% decrease	\$ 2,303,307
Current discount rate	\$ 1,874,226
1% increase	\$ 1,502,555

<b>PERS Plan 2/3</b>	
<b>Employer's Proportionate Share of Net Pension Liability/(Asset)</b>	
1% decrease	\$ 3,937,209
Current discount rate	\$ 860,776
1% increase	\$ (1,661,556)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a PERS Plan 1 pension expense of \$170.5 million, and recognized a PERS Plan 2/3 pension expense of \$(3.9) million. At June 30, 2019, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>PERS Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	74,481
Change in proportion	—	—
State contributions subsequent to the measurement date	303,651	—
<b>Total</b>	<b>\$ 303,651</b>	<b>\$ 74,481</b>

<b>PERS Plan 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 105,508	\$ 150,706
Changes of assumptions	10,070	244,970
Net difference between projected and actual earnings on pension plan investments	—	528,212
Change in proportion	29,828	626
State contributions subsequent to the measurement date	414,210	—
<b>Total</b>	<b>\$ 559,616</b>	<b>\$ 924,514</b>

For PERS Plan 1, \$303.7 million, and for PERS Plan 2/3, \$414.2 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

<b>PERS Plan 1</b>		
2020	\$	3,258
2021	\$	(16,282)
2022	\$	(48,857)
2023	\$	(12,600)
2024	\$	—
Thereafter	\$	—

<b>PERS Plan 2/3</b>		
2020	\$	(74,967)
2021	\$	(169,501)
2022	\$	(317,933)
2023	\$	(114,344)
2024	\$	(38,933)
Thereafter	\$	(63,430)

## Teachers' Retirement System

**Plan Description.** The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution

component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

**Benefits Provided.** TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44.

TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

**Contributions.** TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from TRS-covered employment.

TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2017,

with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset

allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

**Collective Net Pension Liability/(Asset).** At June 30, 2019, the state reported a liability of \$32.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and \$4.8 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 1.10 percent, an increase of 0.07 percent since the prior reporting period, and 1.06 percent for TRS Plan 2/3, an increase of 0.10 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40

percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	\$	40,218
Current discount rate	\$	32,177
1% increase	\$	25,216

TRS Plan 2/3 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	\$	29,651
Current discount rate	\$	4,757
1% increase	\$	(15,465)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a TRS Plan 1 pension expense of \$5.7 million, and recognized a TRS Plan 2/3 pension expense of \$3.3 million. At June 30, 2019, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	1,376
Change in proportion	—	—
State contributions subsequent to the measurement date	5,482	—
<b>Total</b>	<b>\$ 5,482</b>	<b>\$ 1,376</b>

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,236	\$ 351
Changes of assumptions	81	1,912
Net difference between projected and actual earnings on pension plan investments	—	4,024
Change in proportion	2,962	—
State contributions subsequent to the measurement date	5,553	—
<b>Total</b>	<b>\$ 10,832</b>	<b>\$ 6,287</b>

For TRS Plan 1, \$5.5 million, and for TRS Plan 2/3, \$5.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction

of the net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

TRS Plan 1		
2020	\$	138
2021	\$	(285)
2022	\$	(979)
2023	\$	(250)
2024	\$	—
Thereafter	\$	—

TRS Plan 2/3		
2020	\$	747
2021	\$	(326)
2022	\$	(1,816)
2023	\$	(353)
2024	\$	214
Thereafter	\$	526

### Law Enforcement Officers' and Fire Fighters' Retirement System

**Plan Description.** The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, fire fighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

**Benefits Provided.** LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

**Contributions.** LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund the plans. Starting on July 1, 2000, LEOFF Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2019, the state contributed \$73.0 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to

legislative appropriation, specific amounts into the local public safety enhancement account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the state Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

The state is not an employer for LEOFF Plan 1; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2, the state is both an employer and a nonemployer contributing entity. Refer to Note 11.B.2 for nonemployer contributing entity disclosures.

**Actuarial Assumptions.** The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.

- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to

make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

**Collective Net Pension Liability/(Asset).** At June 30, 2019, the state reported an asset of \$17.7 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.87 percent, an increase of 0.02 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's Proportionate Share of Net Pension Liability/(Asset)	
1% decrease	\$ (2,355)
Current discount rate	\$ (17,707)
1% increase	\$ (30,229)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a LEOFF Plan 2 pension expense of \$(1.6) million. At June 30, 2019, LEOFF Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 949	\$ 411
Changes of assumptions	10	2,541
Net difference between projected and actual earnings on pension plan investments	—	3,099
Change in proportion	57	13
State contributions subsequent to the measurement date	1,659	—
Total	\$ 2,675	\$ 6,064

For LEOFF Plan 2, \$1.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 2		
2020	\$	(360)
2021	\$	(831)
2022	\$	(1,823)
2023	\$	(691)
2024	\$	(251)
Thereafter	\$	(1,092)

### Public Safety Employees' Retirement System

**Plan Description.** The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections; Department of Natural Resources; Gambling Commission; Liquor and Cannabis Board; Parks and Recreation Commission; Washington State Patrol; Washington state counties; corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane; or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

**Benefits Provided.** PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

**Contributions.** PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary (OSA) to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

**Actuarial Assumptions.** The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.



The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

**Collective Net Pension Liability/(Asset).** At June 30, 2019, the state reported a liability of \$625 thousand for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 50.48 percent, an increase of 1.34 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's Proportionate Share of Net Pension Liability/(Asset)	
1% decrease	\$ 64,973
Current discount rate	\$ 625
1% increase	\$ (49,866)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a PSERS Plan 2 pension expense of \$10.5 million. At June 30, 2019, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,638	\$ 642
Changes of assumptions	67	3,870
Net difference between projected and actual earnings on pension plan investments	—	8,433
Change in proportion	478	10
State contributions subsequent to the measurement date	17,730	—
Total	\$ 22,913	\$ 12,955

For PSERS Plan 2, \$17.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and

deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PSERS Plan 2		
2020	\$	(111)
2021	\$	(1,013)
2022	\$	(2,808)
2023	\$	(1,410)
2024	\$	(338)
Thereafter	\$	(2,092)

### Washington State Patrol Retirement System

**Plan Description.** The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

For membership information refer to the table presented in Note 11.B.3.

**Benefits Provided.** WSPRS plans provide retirement, disability, and death benefits to eligible members.

WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with at least five service credit years, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol. Inactive members can retire at age 60 or at age 55 with a reduced benefit to account for the receipt of benefits over a longer period of time.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A

cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

**Contributions.** WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and state contribution rates, subject to revision by the Legislature. The preliminary employee and state contribution rates are developed by the Office of the State Actuary (OSA) to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

Members in WSPRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

**Actuarial Assumptions.** The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan

investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of the WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.50 percent long-term discount rate to determine funding liabilities for calculating future contribution rate

requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in Note 11.B.3 for the change in net pension liability.

**Net Pension Liability/(Asset).** At June 30, 2019, the state reported a net pension liability of \$25.3 million.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability/(Asset)		
1% decrease	\$	212,814
Current discount rate	\$	25,288
1% increase	\$	(127,041)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a WSPRS pension expense of \$(1.0) million. At June 30, 2019, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,236	\$ 1,227
Changes of assumptions	13,026	20,016
Net difference between projected and actual earnings on pension plan investments	—	33,240
Change in proportion	—	—
State contributions subsequent to the measurement date	14,700	—
Total	\$ 53,962	\$ 54,483

For WSPRS 1/2, \$14.7 million reported as deferred outflows of resources related to pensions resulting from

state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

<b>WSPRS Plan 1/2</b>		
2020	\$	3,975
2021	\$	(1,194)
2022	\$	(12,504)
2023	\$	(4,384)
2024	\$	(1,114)
Thereafter	\$	—

### Judges' Retirement Fund

**Plan Description.** The Judges' Retirement Fund was created by the Legislature on March 22, 1937, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

The Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan. For membership information refer to the table presented in Note 11.B.3.

**Benefits Provided.** The Judges' Retirement Fund provides disability and retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

Members are eligible to receive a full retirement allowance at age 70 with 10 years of credited service, or at any age with 18 years of credited service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge.

**Contributions.** There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2018, the state contributed \$500 thousand.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.87%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

**Net Pension Liability/(Asset).** At June 30, 2019, the state reported a net pension liability of \$1.7 million.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.87 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

<b>Judges' Net Pension Liability/(Asset)</b>		
1% decrease	\$	1,764
Current discount rate	\$	1,670
1% increase	\$	1,582

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a Judges' Retirement Fund pension expense of \$7 thousand. At June 30, 2019, the Judges' Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	36	—
Change in proportion	—	—
State contributions subsequent to the measurement date	500	—
Total	\$ 536	\$ —

For the Judges' Retirement Fund, \$500 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'	
2020	\$ 14
2021	\$ 10
2022	\$ 8
2023	\$ 4
2024	\$ —
Thereafter	\$ —

## Judicial Retirement System

**Plan Description.** The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System. For membership information refer to the table presented in Note 11.B.3.

**Benefits Provided.** JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service; or are age 60 or older, left office involuntarily with 12 years of service credit, and at least 15 years have passed since the beginning of the initial term. The system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.50%
10-14	3.00%

**Contributions.** JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state. JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2018, the state contributed \$8.7 million.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.87%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for

subsequent events and law changes are current as of the 2017 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

**Discount Rate.** Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

**Net Pension Liability/(Asset).** At June 30, 2019, the state reported a net pension liability of \$75.6 million.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.87 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

JRS		
Net Pension Liability/(Asset)		
1% decrease	\$	82,761
Current discount rate	\$	75,627
1% increase	\$	69,444

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state recognized a JRS pension expense of \$(1.8) million. At June 30, 2019, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	376	—
Change in proportion	—	—
State contributions subsequent to the measurement date	8,400	—
Total	\$ 8,776	\$ —

For JRS, \$8.4 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2020	\$	142
2021	\$	107
2022	\$	84
2023	\$	43
2024	\$	—
Thereafter	\$	—

## 2. DRS Plans - Nonemployer Contributing Entity Disclosures

For fiscal year 2019, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

**Basis for Nonemployer Contributing Entity Contributions.** LEOFF Plan 1 has a net pension asset as of the June 30, 2018 measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2018, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2018, measurement date. In this plan, the state is an employer and a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2018, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.30 percent based on total plan contributions received in fiscal year 2018.

**Collective Net Pension Liability/(Asset).** At June 30, 2019, the state as a nonemployer contributing entity reported a net pension asset of \$1.58 billion and \$797.9 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2, respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.30 percent for LEOFF Plan 2, a decrease of 0.15 percent. The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2018 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.40 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

<b>LEOFF Plan 1</b>	
<b>Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)</b>	
1% decrease	\$ (1,258,245)
Current discount rate	\$ (1,581,665)
1% increase	\$ (1,860,111)

<b>LEOFF Plan 2</b>	
<b>Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)</b>	
1% decrease	\$ (106,106)
Current discount rate	\$ (797,902)
1% increase	\$ (1,362,141)

**Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2019, the state as a nonemployer contributing entity recognized \$(254.3) million pension expense for LEOFF Plan 1 and \$(72.5) million pension expense for LEOFF Plan 2.

At June 30, 2019, the state as a nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

<b>LEOFF Plan 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	128,408
Change in proportion	—	—
State contributions subsequent to the measurement date	2	—
<b>Total</b>	<b>\$ 2</b>	<b>\$ 128,408</b>

<b>LEOFF Plan 2</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 42,742	\$ 18,527
Changes of assumptions	452	114,513
Net difference between projected and actual earnings on pension plan investments	—	139,644
Change in proportion and difference between state contributions and proportionate share of	2,585	602
State contributions subsequent to the measurement date	74,763	—
<b>Total</b>	<b>\$ 120,542</b>	<b>\$ 273,286</b>

For LEOFF Plan 1, \$2 thousand, and for LEOFF Plan 2, \$74.8 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

<b>LEOFF Plan 1</b>	
2020	\$ 123
2021	\$ (28,968)
2022	\$ (78,896)
2023	\$ (20,667)
2024	\$ —
Thereafter	\$ —

<b>LEOFF Plan 2</b>	
2020	\$ (16,219)
2021	\$ (37,443)
2022	\$ (82,166)
2023	\$ (31,138)
2024	\$ (11,341)
Thereafter	\$ (49,200)

### 3. Tables for Plans Administered by the Department of Retirement Services

**TABLE 1: Single Employer Plan Membership**

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2018, the date of the latest actuarial valuation for all plans:

Plans	Number of Participating Members			
	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	1,136	71	444	1,651
WSPRS 2	—	34	597	631
JRS	93	—	—	93
Judges	11	—	—	11
<b>Total</b>	<b>1,240</b>	<b>105</b>	<b>1,041</b>	<b>2,386</b>

**TABLE 2: Change in Net Pension Liability/(Asset)**

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2017, the date of the latest actuarial valuation for all plans, with the results rolled forward to the June 30, 2018, measurement date (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 21,083	\$ —	\$ —
Interest	94,569	3,200	95
Changes of benefit terms	—	—	—
Differences between expected and actual experience	13,974	(2,844)	(39)
Changes of assumptions	(24,367)	(2,063)	(43)
Benefit payments, including refunds of member contributions	(59,634)	(8,325)	(396)
<b>Net Change in Total Pension Liability</b>	<b>45,625</b>	<b>(10,032)</b>	<b>(383)</b>
<b>Total Pension Liability--Beginning</b>	<b>1,269,109</b>	<b>93,511</b>	<b>2,848</b>
<b>Total Pension Liability--Ending</b>	<b>\$ 1,314,734</b>	<b>\$ 83,479</b>	<b>\$ 2,465</b>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions--employer	\$ 14,203	\$ 8,700	\$ 500
Contributions--employee	9,922	—	—
Net investment income	113,597	80	8
Benefit payments, including refunds of member contributions	(59,634)	(8,325)	(396)
Administrative expense	(131)	—	—
Other	650	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>78,607</b>	<b>455</b>	<b>112</b>
<b>Plan Fiduciary Net Position--Beginning</b>	<b>1,210,839</b>	<b>7,397</b>	<b>683</b>
<b>Plan Fiduciary Net Position--Ending</b>	<b>\$ 1,289,446</b>	<b>\$ 7,852</b>	<b>\$ 795</b>
<b>Plan's Net Pension Liability (Asset)--Beginning</b>	<b>\$ 58,270</b>	<b>\$ 86,114</b>	<b>\$ 2,165</b>
<b>Plan's Net Pension Liability (Asset)--Ending</b>	<b>\$ 25,288</b>	<b>\$ 75,627</b>	<b>\$ 1,670</b>



**TABLE 3: Required Contribution Rates**

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of fiscal year 2019 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
<b>PERS</b>						
<b>Employees Not Participating in JBM</b>						
State agencies, local governmental units	7.52 %	7.52 %	7.52 %	6.00 %	7.41 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	12.83 %	12.83 %	12.83 % *			
State govt elected officials	11.28 %	7.52 %	7.52 %	7.50 %	7.41 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	7.70 %	5.13 %	5.13 %			
Total	19.16 %	12.83 %	12.83 % *			
<b>Employees Participating in JBM</b>						
State agencies	10.02 %	10.02 %	10.02 %	9.76 %	16.03 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	15.33 %	15.33 %	15.33 % *			
Local governmental units	7.52 %	7.52 %	7.52 %	12.26 %	18.53 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	12.83 %	12.83 %	12.83 % *			
<b>TRS</b>						
<b>Employees Not Participating in JBM</b>						
State agencies, local governmental units	7.83 %	7.83 %	7.83 %	6.00 %	7.06 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.40 %	7.40 %	7.40 %			
Total	15.41 %	15.41 %	15.41 % *			
State govt elected officials	7.83 %	7.83 %	7.83 %	7.50 %	7.06 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.40 %	7.40 %	7.40 %			
Total	15.41 %	15.41 %	15.41 % *			
<b>Employees Participating in JBM</b>						
State agencies	7.83 %	N/A	N/A	9.76 %	N/A	N/A
Administrative fee	0.18 %	N/A	N/A			
TRS Plan 1 UAAL	7.40 %	N/A	N/A			
Total	15.41 %					
<b>LEOFF</b>						
Ports and universities	N/A	8.75 %	N/A	N/A	8.75 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total		8.93 %				
Local governmental units	N/A	5.25 %	N/A	N/A	8.75 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	0.18 %	5.43 %				
State of Washington	N/A	3.50 %	N/A	N/A	N/A	N/A
<b>WSPRS</b>						
State agencies	13.16 %	13.16 %	N/A	7.69 %	7.69 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	13.34 %	13.34 %				
<b>PSERS</b>						
State agencies, local governmental units	N/A	7.07 %	N/A	N/A	7.07 %	N/A
Administrative fee	N/A	0.18 %	N/A			
PSERS Plan 1 UAAL	N/A	5.13 %	N/A			
Total		12.38 %				

\* Plan 3 defined benefit portion only.

\*\* Variable from 5% to 15% based on rate selected by the member.

\*\*\* Minimum rate.

N/A indicates data not applicable.

## C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS

### Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

**Plan Description.** The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935, and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2019, there were approximately 450 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

**Plan Members.** Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2019, VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,446
Inactive plan members entitled to but not yet receiving benefits	6,120
Active plan members	9,223
Total membership	19,789

**Benefits Provided.** VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities consist of fire departments, emergency medical service districts, and law enforcement agencies. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service. The maximum monthly benefit is \$300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$214 thousand. Funeral and burial expenses are also paid in a lump sum of \$2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid \$500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system an amount equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2019.

**Contributions.** VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2019, the fire insurance premium tax contribution was \$7.6 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for fiscal year 2019 were the following:

	Firefighters		EMSD & Reserve Officers	
Member fee	\$	30	\$	30
Municipality fee		30		105
Total fee	\$	60	\$	135

**Investments.** The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3.B.

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

Further information about the investment of pension funds by the OST, their valuation, classifications, concentrations, and maturities can be found in Note 3.F.

**Rate of Return.** For the year ended June 30, 2019, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 8.23 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

**Pension Liability/(Asset).** The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2019, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	\$ 192,617
Plan fiduciary net position	260,610
Participating municipality net pension liability/(asset)	<u>\$ (67,993)</u>
Plan fiduciary net position as a percentage of the total pension liability	135.30%

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2017, and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.50%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The CMAs contain three pieces of information for each class of asset. The WSIB currently invests in the following:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between annual returns of each asset class with every other asset class.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Public equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

For additional information and background on the OSA's development of the long-term rate of return assumptions, refer to the 2017 Report on Financial Condition and Economic Experience Study located on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Department of Retirement Systems (DRS), Comprehensive Annual Financial Report's actuarial certification letter found on the DRS website.

In consultation with the OST, the OSA selected a 3.50 percent long-term investment rate of return on assets managed by the OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above the OSA's current inflation assumption of 2.50 percent for the United States National Consumer Price Index.

As the VFFRPF has assets managed by both the WSIB and the OST, the long-term expected rate of return of 7.00 percent represents an approximate weighted-average of the assets managed by the WSIB (7.40 percent expected return) and the assets managed by the OST (3.50 percent expected return).

**Discount Rate.** The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.00 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.00 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00 percent on plan investments was applied to determine the total pension liability.

**Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate.** The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7.00 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% decrease	\$	(43,519)
Current discount rate	\$	(67,993)
1% increase	\$	(87,922)

## D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

**Plan Description.** The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a separate plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

RCW 28B.10.400, et seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

The Higher Education Defined Contribution Retirement Plans are described in Note 11.E.

**Benefits Provided.** The Higher Education Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all Higher Education Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from

their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

Plan members have the option to retire early with reduced benefits.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.25%
Fixed income and variable income investment returns*	4.25%-6.50%
*Measurement reflects actual investment returns through June 30, 2018	

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2018, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional

assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate increase from 3.87 percent to 3.50 percent.

**Discount Rate.** The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

**Pension Expense.** For the year ended June 30, 2019, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense	
Plans	
University of Washington (UW)	\$ 28,821
Washington State University (WSU)	1,554
Eastern Washington University (EWU)	1,222
Central Washington University (CWU)	(186)
The Evergreen State College (TESC)	103
Western Washington University (WWU)	623
State Board for Community and Technical Colleges (SBCTC)	2,970
<b>Total</b>	<b>\$ 35,107</b>

**Plan Membership.** Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2018, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	Inactive Members (or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
University of Washington (UW)	853	188	6,132	7,173
Washington State University (WSU)	336	98	1,841	2,275
Eastern Washington University (EWU)	46	26	346	418
Central Washington University (CWU)	65	11	100	176
The Evergreen State College (TESC)	18	14	196	228
Western Washington University (WWU)	63	21	562	646
State Board for Community and Technical Colleges (SBCTC)	240	416	5,113	5,769
<b>Total</b>	<b>1,621</b>	<b>774</b>	<b>14,290</b>	<b>16,685</b>

**Change in Total Pension Liability/(Asset).** The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2019 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	EWU	CWU	TESC	WWU	SBCTC
<b>TOTAL PENSION LIABILITY</b>							
Service cost	\$ 11,823	\$ 2,112	\$ 463	\$ 61	\$ 154	\$ 551	\$ 2,851
Interest	16,277	3,241	614	293	235	825	3,449
Changes of benefit terms	—	—	—	—	—	—	—
Differences between expected and actual experience	102,713	(1,022)	421	(710)	(108)	2,298	6,503
Changes of assumptions	58,228	7,997	1,014	428	694	2,821	12,227
Benefit payments	(7,482)	(2,439)	(316)	(411)	(137)	(420)	(1,818)
Other	—	—	—	—	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>\$ 181,559</b>	<b>\$ 9,889</b>	<b>\$ 2,196</b>	<b>\$ (339)</b>	<b>\$ 838</b>	<b>\$ 6,075</b>	<b>\$ 23,212</b>
<b>Total Pension Liability--Beginning</b>	<b>412,481</b>	<b>82,831</b>	<b>15,551</b>	<b>7,717</b>	<b>5,980</b>	<b>20,962</b>	<b>87,173</b>
<b>Total Pension Liability--Ending</b>	<b>\$ 594,040</b>	<b>\$ 92,720</b>	<b>\$ 17,747</b>	<b>\$ 7,378</b>	<b>\$ 6,818</b>	<b>\$ 27,037</b>	<b>\$ 110,385</b>

**Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate.** The following table presents the total pension liability/(asset), calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate (expressed in thousands):

Total Pension Liability (Asset)			
Plans	1% Decrease	Current Discount Rate	1% Increase
University of Washington (UW)	\$ 685,507	\$ 594,040	\$ 518,334
Washington State University (WSU)	105,485	92,720	82,073
Eastern Washington University (EWU)	20,262	17,747	15,655
Central Washington University (CWU)	8,190	7,378	6,691
The Evergreen State College (TESC)	7,743	6,818	6,045
Western Washington University (WWU)	30,825	27,037	23,876
State Board for Community and Technical Colleges (SBCTC)	126,131	110,385	97,311
<b>Total</b>	<b>\$ 984,143</b>	<b>\$ 856,125</b>	<b>\$ 749,985</b>

### Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2019, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources	Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 89,874	\$ 72,181	Difference between expected and actual experience	\$ —	\$ 15,299
Changes of assumptions	50,949	30,620	Changes of assumptions	6,887	6,060
Transactions subsequent to the measurement date	—	—	Transactions subsequent to the measurement date	—	—
Total	<u>\$ 140,823</u>	<u>\$ 102,801</u>	Total	<u>\$ 6,887</u>	<u>\$ 21,359</u>

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources	Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 675	Difference between expected and actual experience	\$ 3,138	\$ 1,576
Changes of assumptions	270	132	Changes of assumptions	864	803
Transactions subsequent to the measurement date	—	—	Transactions subsequent to the measurement date	—	—
Total	<u>\$ 270</u>	<u>\$ 807</u>	Total	<u>\$ 4,002</u>	<u>\$ 2,379</u>

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources	Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 1,203	Difference between expected and actual experience	\$ 1,959	\$ 4,560
Changes of assumptions	585	372	Changes of assumptions	2,407	1,778
Transactions subsequent to the measurement date	—	—	Transactions subsequent to the measurement date	—	—
Total	<u>\$ 585</u>	<u>\$ 1,575</u>	Total	<u>\$ 4,366</u>	<u>\$ 6,338</u>

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,624	\$ 23,137
Changes of assumptions	10,575	6,258
Transactions subsequent to the measurement date	—	—
Total	<u>\$ 16,199</u>	<u>\$ 29,395</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

University of Washington (UW)			Washington State University (WSU)			Central Washington University (CWU)			Eastern Washington University (EWU)		
2020	\$	721	2020	\$	(3,798)	2020	\$	(294)	2020	\$	146
2021	\$	721	2021	\$	(3,798)	2021	\$	(243)	2021	\$	146
2022	\$	721	2022	\$	(3,798)	2022	\$	—	2022	\$	146
2023	\$	721	2023	\$	(3,123)	2023	\$	—	2023	\$	303
2024	\$	721	2024	\$	(421)	2024	\$	—	2024	\$	668
Thereafter	\$	34,417	Thereafter	\$	466	Thereafter	\$	—	Thereafter	\$	214

The Evergreen State College (TESC)			Western Washington University (WWU)			State Board for Community and Technical Colleges (SBCTC)		
2020	\$	(286)	2020	\$	(754)	2020	\$	(3,330)
2021	\$	(286)	2021	\$	(754)	2021	\$	(3,330)
2022	\$	(286)	2022	\$	(754)	2022	\$	(3,330)
2023	\$	(126)	2023	\$	(422)	2023	\$	(3,330)
2024	\$	(19)	2024	\$	351	2024	\$	(1,681)
Thereafter	\$	13	Thereafter	\$	361	Thereafter	\$	1,805

## E. DEFINED CONTRIBUTION PLANS

### Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan and can elect

to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

### Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.



Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

### **Judicial Retirement Account**

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2019, there were two active members and 108 inactive members and one member receiving monthly benefits in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2019, the state recognized pension expense for contributions of \$9 thousand made to employee accounts. No plan refunds were made.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options, and manage the investment funds for the JRA Plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

### **Higher Education Retirement Plans**

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 7.72 percent to 9.54 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2019, employer and employee contributions were \$234.5 and \$234.5 million, respectively, for a total of \$469.0 million.

## Note 12

### Other Postemployment Benefits

#### General Information

The state implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

**Plan Description.** Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

**Employees Covered by Benefit Terms.** Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs.

Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants As of June 30, 2018	
Active employees*	123,160
Retirees receiving benefits**	33,735
Retirees not receiving benefits***	6,000
<b>Total active employees and retirees</b>	<b>162,895</b>

\*Reflects active employees eligible for PEBB program participation as of June 30, 2018.

\*\*Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

\*\*\*This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, Service Employees' Retirement System, Washington State Patrol Retirement System, Higher Education Retirement Plans, Judicial Retirement System, and Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2. However, not all employers who participate in these plans offer PEBB to retirees.

**Benefits Provided.** Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017 and 2018, the average weighted implicit subsidy was valued at \$327 and \$347 per adult unit per month, respectively. In calendar year 2019, the average weighted implicit subsidy is projected to be \$368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the

Governor's budget. The final amount is approved by the state Legislature. In calendar year 2017 and 2018, the explicit subsidy was up to \$150 per member per month, increasing to up to \$168 per member per month in calendar year 2019. It is projected to increase to \$183 per member per month in calendar year 2020.

**Contribution Information.** Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

<b>Required Premium*</b>		
Medical	\$	1,092
Dental		79
Life		4
Long-term disability		2
<b>Total</b>	<b>\$</b>	<b>1,177</b>
Employer contribution	\$	1,017
Employee contribution		160
<b>Total</b>	<b>\$</b>	<b>1,177</b>

\*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers, includes non-Medicare risk pool only. Figures based on calendar year 2019 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to the Office of the State Actuary's (OSA) website: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>.

**Actuarial Assumptions.** The total OPEB liability was determined using the following methodologies:

<b>Actuarial valuation date</b>	6/30/2018
<b>Actuarial measurement date</b>	6/30/2018
<b>Actuarial cost method</b>	Entry Age
<b>Amortization method</b>	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
<b>Asset valuation method</b>	N/A - No Assets

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (i.e., the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<b>Inflation rate</b>	2.75%
<b>Projected salary changes</b>	3.50% plus service-based salary increases
<b>Health care trend rates</b>	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080.
<b>Post-retirement participation percentage</b>	65%
<b>Percentage with spouse coverage</b>	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is \$183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

**Discount Rate.** Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017, measurement date and 3.87 percent for the June 30, 2018, measurement date.

Additional detail on assumptions and methods can be found on OSA's website.

**Total OPEB Liability.** As of June 30, 2019, the state reported a total OPEB liability of \$5.08 billion.

### Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the June 30, 2019, reporting date (expressed in thousands):

Changes in Total OPEB Liability	State	Component Units	Total
<b>Total OPEB Liability - Beginning as restated</b>	\$ 5,822,159	\$ 4,673	\$ 5,826,832
<b>Changes for the year:</b>			
Service cost	317,324	542	317,866
Interest	218,159	180	218,339
Difference between expected and actual experience*	199,136	122	199,258
Changes in benefit terms	—	—	—
Changes in assumptions*	(1,389,199)	(999)	(1,390,198)
Changes in proportion	3	(18)	(15)
Benefit payments	(92,139)	(61)	(92,200)
Other	—	—	—
<b>Net Changes in Total OPEB Liability</b>	<b>(746,716)</b>	<b>(234)</b>	<b>(746,950)</b>
<b>Total OPEB liability - Ending</b>	<b>\$ 5,075,443</b>	<b>\$ 4,439</b>	<b>\$ 5,079,882</b>

\*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

The increase in the total OPEB liability due to differences between expected and actual experience is largely due to an updated participant file, which reflects current plan enrollment. Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate and updated health care economic assumptions, which includes health care trends

and costs. Both of these changes led to a decrease in the total OPEB liability. The primary reason for lower health care trends was due to a drop in the long-term general inflation assumption from 3.00 percent to 2.75 percent. Other impacts to the total OPEB liability include reflecting dental benefits which had previously been excluded from the measurement. This increased the total OPEB liability by approximately 3.00 percent.

Total OPEB liability beginning balance for the measurement date of June 30, 2018 was restated to reflect the changes in proportion between the state and the Washington Economic Development Finance Authority which operates on a cash basis and does not report an OPEB liability. The restatement also includes OPEB amounts for the Health Care Benefits Exchange which was omitted from the Changes in Total OPEB Liability table last reporting year.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following presents the total OPEB liability of the state as an employer calculated using the discount rate of 3.87 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	\$ 6,119,787	\$ 5,456	\$ 6,125,243
Current discount rate	\$ 5,075,443	\$ 4,439	\$ 5,079,882
1% increase	\$ 4,260,622	\$ 3,660	\$ 4,264,282

**Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates.** The following represents the total OPEB liability of the state as an employer, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.00 percent decreasing to 5.50 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	\$ 4,166,444	\$ 3,549	\$ 4,169,993
Current health care cost trend rate	\$ 5,075,443	\$ 4,439	\$ 5,079,882
1% increase	\$ 6,284,231	\$ 5,663	\$ 6,289,894

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB.** For the year ending June 30, 2019, the state recognized OPEB expense of \$303.6 million.

On June 30, 2019, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB for the state, including component units, from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 177,119	\$ —
Changes of assumptions	—	1,937,614
Transactions subsequent to the measurement date	93,253	—
Changes in proportion	73,348	73,393
<b>Total</b>	<b>\$ 343,720</b>	<b>\$ 2,011,007</b>

Deferred outflows of resources and deferred inflows of resources related to OPEB for component units as of the June 30, 2019, reporting date were as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 109	\$ —
Changes of assumptions	—	1,321
Transactions subsequent to the measurement date	63	—
Changes in proportion	—	49
<b>Total</b>	<b>\$ 172</b>	<b>\$ 1,370</b>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the state and component units will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years	
2020	\$ (232,598)
2021	\$ (232,598)
2022	\$ (232,598)
2023	\$ (232,598)
2024	\$ (232,598)
Thereafter	\$ (597,550)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for component units will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years	
2020	\$ (163)
2021	\$ (163)
2022	\$ (163)
2023	\$ (163)
2024	\$ (163)
Thereafter	\$ (446)

## Note 13

### Derivative Instruments

#### Hedging Derivatives

In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of

Transportation Ferries Division (WSF), entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2019 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2019		Notional Amount (in Gallons)
	Classification	Amount	Classification	Amount	
Governmental Activities					
Cash flow hedges:					
Commodity swaps	Deferred Inflow	\$ 3,202	Accounts Receivable	\$ 667	6,048

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

### Objective

The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget represented

by fuel purchases. To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

### Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2019 are presented in the table below:

Type	Counterparty	Contract Price per Gallon	Variable Rate Received	Trade Date	Settlement Period	Monthly Notional Amount (in Gallons)
Commodity swap	Cargill	1.71	NYMEX ULSD Heating Oil	12/24/2018	1/2019 - 6/2019	252,000
Commodity swap	Cargill	1.77	NYMEX ULSD Heating Oil	12/24/2018	7/2019 - 6/2020	252,000
Commodity swap	BofA - Merrill Lynch	1.42	NYMEX ULSD Heating Oil	1/15/2016	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.73	NYMEX ULSD Heating Oil	6/7/2016	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.57	NYMEX ULSD Heating Oil	5/3/2017	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.90	NYMEX ULSD Heating Oil	1/14/2019	7/2019 - 6/2020	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment or make a payment to the counterparty, depending on the average monthly prices of the commodities in relation to the contract prices.

### Fair Value

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivatives represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources, respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Nonmajor Governmental Funds and the Government-wide Statement of Net Position.

### Risks

The following risks are generally associated with commodity swap agreements:

**Basis risk.** Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates.

Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

**Termination Risk.** Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

**Credit Risk.** Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2019, credit ratings of the state's counterparties were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A+	AA-

## Note 14

### Tax Abatements

The state of Washington provides tax abatements through 20 programs, 7 of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than \$5 million in taxes abated during fiscal year 2019 are disclosed. All tax abatement programs for the aerospace industry are disclosed. Per Revised Code of Washington (RCW) 82.32.330(2), the amount of sales and use tax abated cannot be disclosed when there are fewer than three taxpayers that received the exemption.

#### **Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption**

Per RCWs 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business or tenant that does not meet these requirements.

#### **High-Technology Sales and Use Tax Deferral**

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31 of the year in which the

project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

#### **Multi-Unit Urban Housing Property Tax Exemption**

RCW 84.14.020 allows for a property tax exemption to improve residential opportunities, including affordable housing opportunities, in urban centers. In order to qualify for the exemption, the new or rehabilitated multiple-housing unit must be located in a targeted residential area designated by the city or county, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations of the city, and be completed within three years from the date of approval of the application. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

The property owner must apply for the exemption certificate with the city where the property is located before beginning construction. If the city approves the application, the exemption certificate will be issued after the owner certifies all requirements have been met upon completion of the project. If the application for a tax exemption certificate was submitted before July 22, 2007, the property is exempt for ten years. If the application for a tax exemption certificate was submitted on or after July 22, 2007, the property is exempt for eight years, unless the applicant commits to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households, making it exempt for 12 years. Each tax exemption certificate recipient must submit an annual report to the city. If the city determines that a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest.

#### **Aerospace Incentives**

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial

airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. The amount of sales and use tax abated from this exemption cannot be disclosed because there are fewer than three taxpayers that received the exemption in fiscal year 2019.

RCW 82.04.4461 allows a B&O tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a B&O tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction as prescribed in the RCW.

Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a B&O tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges, is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

Leasehold interests in port district facilities used by a manufacturer of superefficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing superefficient airplanes is exempt from property tax per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during fiscal year 2019.

The following table shows the amount of taxes abated by the state of Washington during fiscal year 2019 (expressed in thousands):

<b>Tax Abatement Program</b>	<b>Amount of Taxes Abated</b>
Data center server equipment and power infrastructure sales and use tax exemption	\$ 49,283
High-technology sales and use tax deferral	45,732
Multi-unit urban housing property tax exemption	23,956
Aerospace incentives:	
Reduced B&O tax rate	119,100
Credit for preproduction development expenditures	70,768
Credit for property and leasehold taxes paid on aerospace business facilities	49,957
Computer hardware, software, and peripherals sales and use tax exemption	4,790
<b>TOTAL</b>	<b>\$ 363,586</b>



# Note 15

## Commitments and Contingencies

### A. CAPITAL COMMITMENTS

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Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled \$3.61 billion at June 30, 2019.

### B. ENCUMBRANCES

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Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed, or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. There were no encumbrances outstanding against continuing appropriations at the end of fiscal year 2019.

### C. SUMMARY OF SIGNIFICANT LITIGATION

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#### Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures and revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services, as well as various assertions by unions representing individual service providers. Claims include insufficient funding for the provision of mental health services to Medicaid eligible children; insufficient competency services at state hospitals; and rule challenges related to individual providers for damages and back wages due. Collective claims in these programmatic and service cases exceed \$35 million. In addition, adverse rulings in some of these cases could result in significant future costs.

The Department of Revenue routinely has claims for tax refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately \$50 million per annum, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The Department of Retirement Systems is a defendant in a number of lawsuits alleging denial or miscalculation of

benefits. Claims in this category total approximately \$55 million.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

#### Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses.

The annual payments to each state under the MSA are subject to a number of adjustments, including the nonparticipating manufacturer (NPM) adjustment. The NPM adjustment is a downward adjustment that is applicable to any state found by an arbitration panel not to have diligently enforced the qualifying statute. The amount of the available adjustment is calculated every year by Price Waterhouse Coopers and is typically \$1.25 billion. States found not diligent share the costs of that downward adjustment and the adjustment is applied against the next annual MSA payment. No state can lose more than its entire annual payment.

For every annual MSA payment cycle since 2006, the participating manufacturers have withheld the amount of the available NPM adjustment from their MSA payments claiming all of the states were not diligent, depositing the amount of the available adjustment into a Disputed Payments Account. For Washington, the amount withheld from each payment has been approximately \$14 million. The states are required to sue the participating manufacturers to recover the withheld amounts.

The withholding in 2006 challenged the states' diligence for calendar year 2003. That challenge marked the first time the NPM adjustment procedure was involved and led to diligent enforcement arbitrations. The arbitration involves all 54 MSA jurisdictions and the participating manufacturers and occurs in two stages: a national hearing on "common issues" and then each state's specific case.

During the 2003 NPM adjustment dispute, 22 states settled their dispute. The participating manufacturers agreed to a 54 percent reduction in their annual MSA payments and to additional NPM enforcement obligations. On September 11, 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and therefore, for that calendar year, is not subject to an NPM adjustment under the MSA. As a result of that decision, in fiscal year 2014, Washington received approximately \$14 million more than it would have otherwise received.

The 2004 NPM adjustment dispute is currently underway. The common issues trial was completed in June 2017 and

Washington's state-specific hearing was completed in April 2018. The final state's hearing was completed in July 2019. All diligence determinations are embargoed until decisions for all states are made and all decisions are released simultaneously.

In September 2019, one of the states' three elected arbitration panel members passed away before any decisions were finalized. The parties are currently working through the various options for addressing the vacancy. Diligence determinations for the 2004 dispute are not expected to be resolved in time for the April 15, 2020, MSA payment cycle. Washington faces a potential downward NPM adjustment in its 2020 MSA payment between \$14 and \$137 million for the year 2004 if found not diligent. If Washington wins the 2004 dispute, the state will receive its full 2020 MSA payment plus the \$14 million that was withheld in 2007 and the earnings on that amount from the Disputed Payments Account.

#### **D. FEDERAL ASSISTANCE**

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The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

#### **E. ARBITRAGE REBATE**

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Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

#### **F. FINANCIAL GUARANTEES**

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##### **School District Credit Enhancement Program**

In accordance with chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of \$14.41 billion at June 30, 2019. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

#### **G. COLUMBIA RIVER CROSSING**

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The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle, and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately \$54 million in federal funds, of which \$15 million was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2024.

In 2019, the Washington Legislature provided \$35 million to establish a project office jointly staffed by Washington and Oregon. The funding also covers pre-design activities to replace the I-5 Columbia River bridge crossing. The Oregon Transportation Commission has allocated \$9 million as the state's initial contribution to restarting the work. WSDOT and ODOT will work with both legislatures to develop a plan for public involvement and engagement with elected and community leadership.

## H. OTHER COMMITMENTS AND CONTINGENCIES

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### Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount

sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2019, outstanding COP notes totaled \$73.2 million for 133 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

## Note 16 Subsequent Events

### A. BOND ISSUES

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In September 2019, the state issued:

- \$490.6 million in general obligation bonds to provide funds to pay and reimburse for various state capital projects.
- \$224.4 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of selected projects that are identified as transportation 2003 or 2005 projects.
- \$38.1 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.
- \$91.4 million in general obligation refunding bonds for the purpose of refunding certain various general obligation bonds of the state.
- \$53.1 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.

The state has tentative plans to issue general obligation refunding bonds later this year.

In July 2019, Washington State University issued \$65.0 million in taxable revenue refunding bonds for the purpose

of refunding trust and building fee revenue bonds.

In September 2019, Western Washington University issued \$68.6 in general revenue bonds to fund construction of a new residence hall.

### B. CERTIFICATES OF PARTICIPATION

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In September 2019, the state issued \$82.7 million in Certificates of Participation (COP) of which \$44.9 million were refundings.

### C. GENERAL ELECTION

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There is a measure on the state's November 5, 2019, general election ballot that proposes making changes to vehicle taxes and fees by lowering motor vehicle and light duty truck weight fees to \$30; eliminating the 0.3 percent sales tax on vehicle purchases; lowering electric vehicle and snowmobile fees; modifying and reducing Sound Transit motor vehicle excise tax provisions; and removing authority for transportation benefit districts to impose a vehicle fee. If passed, the measure could impact the state fiscally.

Election results are not final or official until certified. By law December 5, 2019, is the last day for the Office of the Secretary of State (SEC) to certify general election returns.

Information is posted as available on the SEC's website at: <https://www.sos.wa.gov/>.

# BUDGETARY COMPARISON SCHEDULES

## General Fund

For the Biennium Ended June 30, 2019

(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
<b>Budgetary Fund Balance, July 1, as restated</b>	\$ 2,800,959	\$ 2,800,959	\$ 2,800,959	\$ —
<b>Resources</b>				
Taxes	41,877,017	42,560,661	42,811,259	250,598
Licenses, permits, and fees	223,597	243,482	253,607	10,125
Other contracts and grants	735,270	867,362	625,813	(241,549)
Timber sales	6,294	4,158	3,639	(519)
Federal grants-in-aid	23,763,712	24,543,335	23,582,180	(961,155)
Charges for services	96,751	101,198	98,773	(2,425)
Investment income (loss)	43,586	77,412	83,251	5,839
Miscellaneous revenue	445,610	540,303	477,719	(62,584)
Unclaimed property	131,846	177,886	176,173	(1,713)
Transfers from other funds	3,015,087	4,205,098	5,777,284	1,572,186
<b>Total Resources</b>	<b>73,139,729</b>	<b>76,121,854</b>	<b>76,690,657</b>	<b>568,803</b>
<b>Charges To Appropriations</b>				
General government	4,219,483	4,261,651	4,099,503	162,148
Human services	35,614,129	36,414,278	35,797,001	617,277
Natural resources and recreation	718,985	881,870	787,096	94,774
Transportation	118,591	126,143	113,598	12,545
Education	27,291,160	27,979,669	27,743,016	236,653
Capital outlays	314,778	939,601	285,171	654,430
Transfers to other funds	1,875,025	3,619,836	4,777,087	(1,157,251)
<b>Total Charges To Appropriations</b>	<b>70,152,151</b>	<b>74,223,048</b>	<b>73,602,472</b>	<b>620,576</b>
<b>Excess Available For Appropriation Over (Under) Charges To Appropriations</b>	<b>2,987,578</b>	<b>1,898,806</b>	<b>3,088,185</b>	<b>1,189,379</b>
<b>Reconciling Items</b>				
Bond sale proceeds	188,943	202,047	236,980	34,933
Issuance premiums	—	716	1,144	428
Assumed reversions	216,868	194,869	—	(194,869)
Working capital adjustment	—	—	97,000	97,000
Noncash activity (net)	—	—	99,121	99,121
Nonappropriated fund balances	—	—	123,121	123,121
Changes in reserves (net)	—	—	(262,596)	(262,596)
<b>Total Reconciling Items</b>	<b>405,811</b>	<b>397,632</b>	<b>294,770</b>	<b>(102,862)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,393,389</b>	<b>\$ 2,296,438</b>	<b>\$ 3,382,955</b>	<b>\$ 1,086,517</b>

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found in the Individual Fund Schedules section.

## BUDGETARY COMPARISON SCHEDULES

### General Fund - Budget to GAAP Reconciliation

For the Biennium Ended June 30, 2019

(expressed in thousands)

#### Sources/Inflows of Resources

Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	\$ 76,690,657
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(5,777,284)
Budgetary fund balance at the beginning of the biennium, as restated	(2,800,959)
Appropriated loan principal repayment	(375)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	2,718,048
Revenues collected for other governments	233,975
Unanticipated receipts	9,440
Noncash revenues	93,235
Other	28,171
Biennium total revenues	71,194,908
Fiscal year 2018 total revenues, as restated for fund reclassification	(35,178,372)
Nonappropriated activity	46,677
<b>Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 36,063,213</b>

#### Uses/Outflows of Resources

Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	\$ 73,602,472
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(2,993,490)
Other transfers to other funds	(4,777,087)
Appropriated loan disbursements	(94)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	2,718,048
Distributions to other governments	233,975
Certificates of participation and capital lease acquisitions	37,386
Expenditures related to unanticipated receipts	9,440
Other	13,474
Biennium total expenditures	68,844,124
Fiscal year 2018 total expenditures, as restated for fund reclassification	(33,338,355)
Nonappropriated activity	720,029
<b>Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds</b>	<b>\$ 36,225,798</b>

## BUDGETARY COMPARISON SCHEDULES

**Higher Education Special Revenue Fund**

For the Biennium Ended June 30, 2019

*(expressed in thousands)*

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
<b>Budgetary Fund Balance, July 1, as restated</b>	\$ 393,333	\$ 393,333	\$ 393,333	\$ —
<b>Resources</b>				
Taxes	520,751	1,649,106	1,749,831	100,725
Other contracts and grants	600	1,207	—	(1,207)
Charges for services	—	878	—	(878)
Investment income (loss)	2,808	3,018	16,497	13,479
Miscellaneous revenue	2,272	398	22	(376)
Transfers from other funds	315,354	325,756	296,478	(29,278)
<b>Total Resources</b>	<b>1,235,118</b>	<b>2,373,696</b>	<b>2,456,161</b>	<b>82,465</b>
<b>Charges To Appropriations</b>				
Human services	14,192	14,190	13,918	272
Education	773,403	1,026,926	1,026,592	334
Transfers to other funds	41,112	41,118	42,463	(1,345)
<b>Total Charges To Appropriations</b>	<b>828,707</b>	<b>1,082,234</b>	<b>1,082,973</b>	<b>(739)</b>
<b>Excess Available For Appropriation Over (Under) Charges To Appropriations</b>	<b>406,411</b>	<b>1,291,462</b>	<b>1,373,188</b>	<b>81,726</b>
<b>Reconciling Items</b>				
Noncash activity (net)	—	—	24,641	24,641
Nonappropriated fund balances	—	—	2,486,616	2,486,616
Changes in reserves (net)	—	—	(52,185)	(52,185)
<b>Total Reconciling Items</b>	<b>—</b>	<b>—</b>	<b>2,459,072</b>	<b>2,459,072</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 406,411</b>	<b>\$ 1,291,462</b>	<b>\$ 3,832,260</b>	<b>\$ 2,540,798</b>

## BUDGETARY COMPARISON SCHEDULES

### Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

For the Biennium Ended June 30, 2019

(expressed in thousands)

#### Sources/Inflows of Resources

Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	\$ 2,456,161
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(296,478)
Budgetary fund balance at the beginning of the biennium, as restated	(393,333)
Biennium total revenues	1,766,350
Fiscal year 2018 total revenues	(5,820,350)
Nonappropriated activity	11,144,250
<b>Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 7,090,250</b>

#### Uses/Outflows of Resources

Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	\$ 1,082,973
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(88,442)
Other transfers to other funds	(42,463)
Biennium total expenditures	952,068
Fiscal year 2018 total expenditures	(5,775,579)
Nonappropriated activity	11,036,779
<b>Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds</b>	<b>\$ 6,213,268</b>

## BUDGETARY INFORMATION

### Notes to Required Supplementary Information

#### GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying

financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2017-19 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at <https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report/2019-comprehensive-annual-financial-report>.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

### **Budgetary Reporting vs. GAAP Reporting**

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and

Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.



PENSION PLAN INFORMATION  
Single Employer Plans

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Washington State Patrol Retirement System - Plan 1/2**

Last Six Measurement Years \*  
(expressed in thousands)

	2018	2017	2016
<b>Total Pension Liability</b>			
Service cost	\$ 21,083	\$ 18,474	\$ 16,534
Interest	94,569	90,560	83,373
Changes of benefit terms	—	4,830	1,947
Differences between expected and actual experience	13,974	23,702	(10,431)
Changes in assumptions	(24,367)	20,921	2
Benefit payments, including refunds of member contributions	(59,634)	(56,821)	(54,159)
<b>Net Change in Total Pension Liability</b>	<b>45,625</b>	<b>101,666</b>	<b>37,266</b>
<b>Total Pension Liability - Beginning</b>	<b>1,269,109</b>	<b>1,167,443</b>	<b>1,130,177</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 1,314,734</b>	<b>\$ 1,269,109</b>	<b>\$ 1,167,443</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 14,203	\$ 7,587	\$ 7,044
Contributions - employee	9,922	10,454	8,895
Net investment income	113,597	151,021	25,352
Benefit payments, including refunds of employee contributions	(59,634)	(56,821)	(54,159)
Administrative expense	(131)	(53)	(60)
Other	650	524	429
<b>Net Change in Plan Fiduciary Net Position</b>	<b>78,607</b>	<b>112,712</b>	<b>(12,499)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,210,839</b>	<b>1,098,127</b>	<b>1,110,626</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 1,289,446</b>	<b>\$ 1,210,839</b>	<b>\$ 1,098,127</b>
<b>State's Net Pension Liability/(Asset) - Ending</b>	<b>\$ 25,288</b>	<b>\$ 58,270</b>	<b>\$ 69,316</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability /(Asset)</b>	<b>98.08%</b>	<b>95.41%</b>	<b>94.06%</b>
<b>Covered Payroll</b>	<b>\$ 109,243</b>	<b>\$ 93,053</b>	<b>\$ 86,660</b>
<b>State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>23.15%</b>	<b>62.62%</b>	<b>79.99%</b>

N/A indicates not available.

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary.

	2015		2014		2013
\$	16,633	\$	18,041		N/A
	80,037		75,249		N/A
	2,258		—		N/A
	8,883		—		N/A
	17		—		N/A
	(50,075)		(47,510)		N/A
	57,753		45,780		N/A
	1,072,424		1,026,644		N/A
\$	1,130,177	\$	1,072,424	\$	1,026,644
\$	6,679	\$	6,587		N/A
	6,323		6,555		N/A
	49,046		176,856		N/A
	(50,075)		(47,510)		N/A
	(67)		(84)		N/A
	293		509		N/A
	12,199		142,913		N/A
	1,098,427		955,514		N/A
\$	1,110,626	\$	1,098,427	\$	955,514
\$	19,551	\$	(26,003)	\$	71,130
	98.27%		102.42%		93.07%
\$	84,388	\$	85,046	\$	81,895
	23.17%		-30.58%		86.86%

PENSION PLAN INFORMATION  
Single Employer Plans

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Judicial Retirement System**

Last Six Measurement Years \*  
(expressed in thousands)

	2018	2017	2016
<b>Total Pension Liability</b>			
Service cost	\$ —	\$ —	\$ —
Interest	3,200	2,874	3,704
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(2,844)	1,047	20
Changes in assumptions	(2,063)	(6,329)	8,737
Benefit payments, including refunds of employee contributions	(8,325)	(8,723)	(9,131)
<b>Net Change in Total Pension Liability</b>	<b>(10,032)</b>	<b>(11,131)</b>	<b>3,330</b>
<b>Total Pension Liability - Beginning</b>	<b>93,511</b>	<b>104,642</b>	<b>101,312</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 83,479</b>	<b>\$ 93,511</b>	<b>\$ 104,642</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 8,700	\$ 9,300	\$ 9,500
Contributions - employee	—	—	—
Net investment income	80	45	74
Benefit payments, including refunds of employee contributions	(8,325)	(8,723)	(9,131)
Administrative expense	—	—	(1)
Other	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>455</b>	<b>622</b>	<b>442</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>7,397</b>	<b>6,775</b>	<b>6,333</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 7,852</b>	<b>\$ 7,397</b>	<b>\$ 6,775</b>
<b>State's Net Pension Liability/(Asset) - Ending</b>	<b>\$ 75,627</b>	<b>\$ 86,114</b>	<b>\$ 97,867</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)</b>	<b>9.41%</b>	<b>7.91%</b>	<b>6.47%</b>
<b>Covered Payroll <sup>(1)</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll <sup>(1)</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

N/A indicates data not available.

1. Covered payroll is not applicable because there are no active plan employees beginning in 2014.

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

	2015		2014		2013
\$	—	\$	—		N/A
	4,382		4,319		N/A
	—		—		N/A
	1,590		—		N/A
	4,335		—		N/A
	(9,336)		(9,480)		N/A
	971		(5,161)		N/A
	100,341		105,502		N/A
\$	101,312	\$	100,341	\$	105,502
\$	10,600	\$	10,600		N/A
	—		—		N/A
	38		25		N/A
	(9,336)		(9,480)		N/A
	—		—		N/A
	—		—		N/A
	1,302		1,145		N/A
	5,031		3,886		N/A
\$	6,333	\$	5,031	\$	3,886
\$	94,979	\$	95,310	\$	101,616
	6.25%		5.01%		3.68%
	N/A		N/A	\$	160
	N/A		N/A		635.10%

PENSION PLAN INFORMATION  
Single Employer Plans

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Judges' Retirement Fund**

Last Six Measurement Years \*  
(expressed in thousands)

	2018	2017	2016
<b>Total Pension Liability</b>			
Service cost	\$ —	\$ —	\$ —
Interest	95	88	116
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(39)	194	123
Changes of assumptions	(43)	(129)	181
Benefit payments, including refunds of member contributions	(396)	(402)	(440)
<b>Net Change in Total Pension Liability</b>	<b>(383)</b>	<b>(249)</b>	<b>(20)</b>
<b>Total Pension Liability - Beginning</b>	<b>2,848</b>	<b>3,097</b>	<b>3,117</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 2,465</b>	<b>\$ 2,848</b>	<b>\$ 3,097</b>
<b>Plan Fiduciary Net Position</b>			
Contributions--state	\$ 500	\$ 499	\$ 501
Contributions--member	—	—	—
Net investment income	8	4	6
Benefit payments, including refunds of member contributions	(396)	(402)	(440)
Administrative expense	—	—	—
Other	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>112</b>	<b>101</b>	<b>67</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>683</b>	<b>582</b>	<b>515</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 795</b>	<b>\$ 683</b>	<b>\$ 582</b>
<b>Plan's Net Pension Liability (Asset) - Ending</b>	<b>\$ 1,670</b>	<b>\$ 2,165</b>	<b>\$ 2,515</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability /(Asset)</b>	<b>32.25%</b>	<b>23.98%</b>	<b>18.79%</b>
<b>Covered Payroll <sup>(1)</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

N/A indicates data not available.

1. Covered payroll is not applicable because there are no active plan employees.

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

	2015		2014		2013
\$	—	\$	—		N/A
	138		137		N/A
	—		—		N/A
	182		—		N/A
	95		—		N/A
	(444)		(444)		N/A
	(29)		(307)		N/A
	3,146		3,453		N/A
\$	3,117	\$	3,146	\$	3,453
\$	—	\$	—		N/A
	—		—		N/A
	4		7		N/A
	(444)		(444)		N/A
	—		—		N/A
	—		—		N/A
	(440)		(437)		N/A
	955		1,392		N/A
\$	515	\$	955	\$	1,392
\$	2,602	\$	2,191	\$	2,061
	16.52%		30.36%		40.31%
	N/A		N/A		N/A
	N/A		N/A		N/A

PENSION PLAN INFORMATION  
Single Employer Plans

**Schedule of Contributions**  
**Washington State Patrol Retirement System - Plan 1/2**

Last Ten Fiscal Years  
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 17,020	\$ 14,700	\$ 2,320	\$ 111,612	13.17%
2018	16,648	14,203	2,445	109,243	13.00%
2017	8,179	7,587	592	93,053	8.15%
2016	7,618	7,044	574	86,660	8.13%
2015	6,810	6,679	131	84,388	7.91%
2014	6,677	6,587	90	85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

**Schedule of Contributions**  
**Judicial Retirement System**

Last Ten Fiscal Years  
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 7,914	\$ 8,400	\$ (486)	—	N/A
2018	8,317	8,700	(383)	—	N/A
2017	8,761	9,300	(539)	—	N/A
2016	8,999	9,500	(501)	—	N/A
2015	9,132	10,600	(1,468)	—	N/A
2014	9,205	10,600	(1,395)	—	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION  
Single Employer Plans

**Schedule of Contributions**  
**Judges' Retirement Fund**

Last Ten Fiscal Years  
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 395	\$ 500	\$ (105)	—	N/A
2018	395	500	(105)	—	N/A
2017	439	499	(60)	—	N/A
2016	444	501	(57)	—	N/A
2015	539	—	539	—	N/A
2014	425	—	425	—	N/A
2013	400	—	400	—	N/A
2012	300	—	300	—	N/A
2011	100	—	100	—	N/A
2010	—	—	—	—	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. There are no active employees.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary



PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS) Plan 1**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.97%	41.88%	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	\$ 1,874,226	\$ 1,987,268	\$ 2,255,244	\$ 2,174,623	\$ 2,134,189
Covered payroll of employees participating in PERS Plan 1	\$ 69,330	\$ 85,341	\$ 103,235	\$ 120,686	\$ 143,836
Covered payroll of employees participating in PERS Plan 2/3	5,237,495	4,928,806	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS Plan 2	198,511	175,395	155,768	140,977	130,172
<b>Covered Payroll</b>	<b>\$ 5,505,336</b>	<b>\$ 5,189,542</b>	<b>\$ 4,907,846</b>	<b>\$ 4,624,834</b>	<b>\$ 4,489,942</b>
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	34.04%	38.29%	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	63.22%	61.24%	57.03%	59.10%	61.19%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Public Employees' Retirement System (PERS) Plan 2/3**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	50.41%	50.20%	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	\$ 860,776	\$ 1,744,067	\$ 2,503,313	\$ 1,754,418	\$ 995,856
State PERS Plan 2/3 employers' covered payroll	\$ 5,237,495	\$ 4,928,806	\$ 4,648,843	\$ 4,363,171	\$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	16.43%	35.39%	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	95.77%	90.97%	85.82%	89.20%	93.29%

\* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Teachers' Retirement System (TRS) Plan 1**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	1.10%	1.03%	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	\$ 32,177	\$ 31,172	\$ 33,026	\$ 27,186	\$ 22,924
Covered payroll of employees participating in TRS Plan 1	\$ 1,893	\$ 2,475	\$ 5,735	\$ 3,913	\$ 4,611
Covered payroll of employees participating in TRS Plan 2/3	61,292	52,534	41,803	33,705	25,673
<b>Covered Payroll</b>	<b>\$ 63,185</b>	<b>\$ 55,009</b>	<b>\$ 47,538</b>	<b>\$ 37,618</b>	<b>\$ 30,284</b>
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	50.93%	56.67%	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	66.52%	65.58%	62.07%	65.70%	68.77%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Teachers' Retirement System (TRS) Plan 2/3**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	1.06%	0.96%	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	\$ 4,757	\$ 8,873	\$ 11,896	\$ 6,107	\$ 1,913
State TRS Plan 2/3 employers' covered payroll	\$ 61,292	\$ 52,534	\$ 41,803	\$ 33,705	\$ 25,673
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	7.76%	16.89%	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	96.88%	93.14%	88.72%	92.48%	96.81%

\* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Public Safety Employees' Retirement System (PSERS) Plan 2**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	50.48%	49.14%	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability / (asset)	\$ 625	\$ 9,628	\$ 20,386	\$ 8,748	\$ (6,988)
State PSERS Plan 2 employers' covered payroll	\$ 198,511	\$ 175,395	\$ 155,768	\$ 140,977	\$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	0.32%	5.49%	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	99.79%	96.26%	90.41%	95.08%	105.01%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1**

Last Five Measurement Years \*  
(expressed in thousands)

	2018	2017	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	\$(1,581,665)	\$(1,321,802)	\$ (897,585)	\$(1,049,988)	\$(1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	144.42%	135.96%	123.74%	127.36%	126.91%

\* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of the State's Proportionate Share of the Net Pension Liability  
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2**

Last Five Measurement Years \*

(expressed in thousands)

	2018	2017	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.87%	0.85%	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.30%	39.35%	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	\$ (17,707)	\$ (11,823)	\$ (5,113)	\$ (8,580)	\$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(797,902)	(545,988)	(229,538)	(409,091)	(524,419)
<b>Total</b>	<b>\$ (815,609)</b>	<b>\$ (557,811)</b>	<b>\$ (234,651)</b>	<b>\$ (417,671)</b>	<b>\$ (535,583)</b>
State LEOFF Plan 2 employers' covered payroll	\$ 21,892	\$ 20,396	\$ 19,828	\$ 18,744	\$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-80.88%	-57.97%	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	118.50%	113.36%	106.04%	111.67%	116.75%

\* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 1**

Fiscal Year Ended June 30\*

(dollars in thousands)

	2019		2018		2017
Contractually required contributions (CRC)	\$	299,745	\$	280,513	\$ 251,924
Employer contributions related to covered payroll of employees participating in PERS Plan 1	\$	7,092	\$	8,769	\$ 9,537
Employer UAAL contributions related to covered payroll of employees participating in PERS Plan 2/3 and PSERS Plan 2		292,653		271,744	242,387
Contributions in relation to the actuarially determined contributions		299,745		280,513	251,924
<b>Contribution Deficiency (Excess)</b>	\$	—	\$	—	\$ —
Covered payroll of employees participating in PERS Plan 1	\$	54,779	\$	69,330	\$ 85,341
Covered payroll of employees participating in PERS Plan 2/3		5,469,217		5,237,495	4,928,806
Covered payroll of employees participating in PSERS Plan 2		321,991		198,511	175,395
<b>Covered Payroll</b>	\$	5,845,987	\$	5,505,336	\$ 5,189,542
Contributions as a percentage of covered payroll		5.13%		5.10%	4.85%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 2/3**

Fiscal Year Ended June 30\*

(dollars in thousands)

	2019		2018		2017
Contractually Required Contributions	\$	412,466	\$	389,001	\$ 306,591
Contributions in relation to the contractually required contributions		412,466		389,001	306,591
<b>Contribution Deficiency (Excess)</b>	\$	—	\$	—	\$ —
<b>Covered Payroll</b>	\$	5,469,217	\$	5,237,495	\$ 4,928,806
Contributions as a percentage of covered payroll		7.54%		7.43%	6.22%

\* This schedule is to be built prospectively until it contains ten years of data.

2016			2015			2014		
\$	238,158	\$	191,618	\$	188,639			
\$	11,385	\$	11,072	\$	12,964			
	226,773		180,546		175,675			
	238,158		191,618		188,639			
\$	—	\$	—	\$	—			
\$	103,235	\$	120,686	\$	143,836			
	4,648,843		4,363,171		4,215,935			
	155,768		140,977		130,172			
\$	4,907,846	\$	4,624,834	\$	4,489,943			
	4.85%		4.14%		4.20%			

2016			2015			2014		
\$	287,049	\$	219,395	\$	209,455			
	287,049		219,395		209,455			
\$	—	\$	—	\$	—			
\$	4,648,843	\$	4,363,171	\$	4,215,935			
	6.17%		5.03%		4.97%			

PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of Contributions**  
**Teachers' Retirement System (TRS) Plan 1**

Fiscal Year Ended June 30\*  
(dollars in thousands)

	2019		2018		2017
Contractually required contributions	\$	5,436	\$	4,582	\$ 3,608
Employer contributions related to covered payroll of employees participating in TRS Plan 1	\$	241	\$	272	\$ 326
Employer UAAL contributions related to covered payroll of employees participating in TRS Plan 2/3		5,195		4,310	3,282
Contributions in relation to the actuarially determined contributions		5,436		4,582	3,608
<b>Contribution Deficiency (Excess)</b>	\$	—	\$	—	\$ —
Covered payroll of employees participating in TRS Plan 1	\$	1,557	\$	1,893	\$ 2,475
Covered payroll of employees participating in TRS Plan 2/3		43,082		61,292	52,534
<b>Covered Payroll</b>	\$	44,639	\$	63,185	\$ 55,009
Contributions as a percentage of covered payroll		12.18%		7.25%	6.56%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of Contributions**  
**Teachers' Retirement System (TRS) Plan 2/3**

Fiscal Year Ended June 30\*  
(dollars in thousands)

	2019		2018		2017
Contractually required contributions	\$	5,542	\$	4,699	\$ 3,542
Contributions in relation to the contractually required contributions		5,542		4,699	3,542
<b>Contribution Deficiency (Excess)</b>	\$	—	\$	—	\$ —
<b>Covered Payroll</b>	\$	43,082	\$	61,292	\$ 52,534
Contributions as a percentage of covered payroll		12.86%		7.67%	6.74%

\* This schedule is to be built prospectively until it contains ten years of data.

	2016		2015		2014
\$	2,940	\$	1,920	\$	1,537
\$	369	\$	388	\$	451
	2,571		1,532		1,086
	2,940		1,920		1,537
\$	—	\$	—	\$	—
\$	5,735	\$	3,913	\$	4,611
	41,803		33,705		25,673
\$	47,538	\$	37,618	\$	30,284
	6.18%		5.10%		5.08%

	2016		2015		2014
\$	2,827	\$	1,924	\$	1,454
	2,827		1,924		1,454
\$	—	\$	—	\$	—
\$	41,803	\$	33,705	\$	25,673
	6.76%		5.71%		5.66%



PENSION PLAN INFORMATION  
Cost Sharing Employer Plans

**Schedule of Contributions**

**Public Safety Employees' Retirement System (PSERS) Plan 2**

Fiscal Year Ended June 30\*

(dollars in thousands)

	2019		2018		2017
Contractually Required Contributions	\$	17,602	\$	13,330	\$ 11,465
Contributions in relation to the contractually required contributions		17,602		13,330	11,465
<b>Contribution Deficiency (Excess)</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$ —</b>
<b>Covered Payroll</b>	<b>\$</b>	<b>321,991</b>	<b>\$</b>	<b>198,511</b>	<b>\$ 175,395</b>
Contributions as a percentage of covered payroll		5.47%		6.72%	6.54%

\* This schedule is to be built prospectively until it contains ten years of data.

**Schedule of Contributions**

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2**

Fiscal Year Ended June 30\*

(dollars in thousands)

	2019		2018		2017
Contractually Required Contributions	\$	1,654	\$	1,512	\$ 1,346
Contributions in relation to the contractually required contributions		1,654		1,512	1,346
<b>Contribution Deficiency (Excess)</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>	<b>\$ —</b>
<b>Covered Payroll</b>	<b>\$</b>	<b>23,388</b>	<b>\$</b>	<b>21,892</b>	<b>\$ 20,396</b>
Contributions as a percentage of covered payroll		7.07%		6.91%	6.60%

\* This schedule is to be built prospectively until it contains ten years of data.

	2016		2015		2014
\$	10,233	\$	8,932	\$	8,100
	10,233		8,932		8,100
\$	—	\$	—	\$	—
\$	155,768	\$	140,977	\$	130,172
	6.57%		6.34%		6.22%

	2016		2015		2014
\$	1,345	\$	1,224	\$	1,184
	1,345		1,224		1,184
\$	—	\$	—	\$	—
\$	19,828	\$	18,744	\$	18,259
	6.78%		6.53%		6.48%

## **PENSION PLAN INFORMATION**

### **Notes to Required Supplementary Information**

**Methods and assumptions used in calculations of Actuarially Determined Contributions for PERS, TRS, PSERS, LEOFF, and WSPRS.** The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2015, valuation date, completed in the fall of 2016, determined the ADC for the period beginning July 1, 2017, and ending June 30, 2019.

**Methods and assumptions used in calculations of the ADC for JRS and Judges.** The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015, and ending June 30, 2017, the contribution rates adopted by the Pension Funding Council, and unchanged by the Legislature, reflect a phase-in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the second of three biennia over which this increase is expected to be phased-in for PERS 1/2/3, TRS 1/2/3, PSERS 2, and WSPRS 1/2.

## PENSION PLAN INFORMATION

### Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

#### Schedule of Contributions

Last Ten Fiscal Years

(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined	Contribution Deficiency (Excess)
2019	\$ 926	\$ 8,436	\$ (7,510)
2018	3,523	8,050	(4,527)
2017	4,528	7,494	(2,966)
2016	6,846	8,153	(1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)

Notes: Neither covered payroll nor contributions as a percentage of covered payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board for Volunteer Firefighters adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

#### Schedule of Investment Returns

Last Six Fiscal Years\*

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.23%	8.84%	13.26%	2.19%	4.05%	18.50%

\*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION  
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

**Schedule of Change in Net Pension Liability**

Last Seven Fiscal Years\*

(expressed in thousands)

	2019		2018		2017
<b>Total Pension Liability</b>					
Service cost	\$	828	\$	853	\$ 869
Interest		13,119		13,151	12,946
Changes of benefit terms		—		—	—
Differences between expected and actual experience		(1,857)		(2,707)	(1,998)
Changes in assumptions		—		16	463
Benefit payments, including refunds of member contributions		(11,913)		(11,573)	(11,074)
<b>Net Change in Total Pension Liability</b>		177		(260)	1,206
<b>Total Pension Liability - Beginning</b>		192,440		192,700	191,494
<b>Total Pension Liability - Ending</b>	\$	192,617	\$	192,440	\$ 192,700
<b>Plan Fiduciary Net Position</b>					
Contributions - municipalities	\$	797	\$	823	\$ 848
Contributions - member		54		65	69
Contributions - state as nonemployer contributing entity		7,639		7,227	6,646
Net investment income		20,101		19,860	26,114
Benefit payments, including refunds of member contributions		(11,913)		(11,573)	(11,074)
Administrative expense		(1,352)		(918)	(1,466)
Other		—		—	—
<b>Net Change in Plan Fiduciary Net Position</b>		15,326		15,484	21,137
<b>Plan Fiduciary Net Position--Beginning</b>		245,284		229,800	208,663
<b>Plan Fiduciary Net Position--Ending</b>	\$	260,610	\$	245,284	\$ 229,800
<b>Plan's Net Pension Liability/(Asset)--Ending</b>	\$	(67,993)	\$	(52,844)	\$ (37,100)

N/A indicates data not available.

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

	2016		2015		2014		2013
\$	893	\$	919	\$	1,240		N/A
	12,887		12,656		12,480		N/A
	—		—		—		N/A
	(176)		(2,948)		—		N/A
	101		1,931		—		N/A
	(10,795)		(10,501)		(10,771)		N/A
	2,910		2,057		2,949		N/A
	188,584		186,527		183,578		N/A
\$	191,494	\$	188,584	\$	186,527	\$	183,578
\$	918	\$	913	\$	953		N/A
	67		76		95		N/A
	7,235		5,903		6,383		N/A
	4,588		8,289		31,892		N/A
	(10,795)		(10,501)		(10,771)		N/A
	(1,205)		(1,020)		(1,469)		N/A
	—		—		(22)		N/A
	808		3,660		27,061		N/A
	207,855		204,195		177,134		N/A
\$	208,663	\$	207,855	\$	204,195	\$	177,134
\$	(17,169)	\$	(19,271)	\$	(17,668)	\$	6,444

## PENSION PLAN INFORMATION

### Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

#### Schedule of Net Pension Liability

Last Seven Fiscal Years\*

(expressed in thousands)

	2019		2018		2017	
Total Pension Liability - Ending	\$	192,617	\$	192,440	\$	192,700
Plan Fiduciary Net Position - Ending		260,610		245,284		229,800
Plan's Net Pension Liability/(Asset) - Ending	\$	(67,993)	\$	(52,844)	\$	(37,100)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)		135.30%		127.46%		119.25%
Covered Payroll		N/A		N/A		N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll		N/A		N/A		N/A

N/A indicates data not applicable. This is a volunteer organization.

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

#### Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on

the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period ending June 30, 2019.

2016		2015		2014		2013	
\$	191,494	\$	188,584	\$	186,527	\$	183,578
	208,663		207,855		204,195		177,134
\$	(17,169)	\$	(19,271)	\$	(17,668)	\$	6,444
108.97%		110.22%		109.47%		96.49%	
N/A		N/A		N/A		N/A	
N/A		N/A		N/A		N/A	



PENSION PLAN INFORMATION  
Higher Education Supplemental Defined Benefit Plans

**Schedule of Changes in Total Pension Liability and Related Ratios**  
**University of Washington**

Fiscal Years Ended and Measurement Date June 30\*  
(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 11,823	\$ 14,788	\$ 19,891
Interest	16,277	16,128	15,097
Changes of benefit terms	—	—	—
Differences between expected and actual experience	102,713	(33,953)	(74,918)
Changes in assumptions	58,228	(17,105)	(28,553)
Benefit payments	(7,482)	(6,130)	(5,136)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>181,559</b>	<b>(26,272)</b>	<b>(73,619)</b>
<b>Total Pension Liability - Beginning</b>	<b>412,481</b>	<b>438,753</b>	<b>512,372</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 594,040</b>	<b>\$ 412,481</b>	<b>\$ 438,753</b>
<b>Covered payroll</b>	<b>\$ 787,384</b>	<b>\$ 759,688</b>	<b>\$ 801,161</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>75.44 %</b>	<b>54.30 %</b>	<b>54.76 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

**Schedule of Changes in Total Pension Liability and Related Ratios**  
**Washington State University**

Fiscal Years Ended and Measurement Date June 30\*  
(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 2,112	\$ 2,763	\$ 3,803
Interest	3,241	3,261	3,140
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(1,022)	(7,171)	(16,389)
Changes in assumptions	7,997	(3,255)	(6,574)
Benefit payments	(2,439)	(2,181)	(1,890)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>9,889</b>	<b>(6,583)</b>	<b>(17,910)</b>
<b>Total Pension Liability - Beginning</b>	<b>82,831</b>	<b>89,414</b>	<b>107,324</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 92,720</b>	<b>\$ 82,831</b>	<b>\$ 89,414</b>
<b>Covered payroll</b>	<b>\$ 171,012</b>	<b>\$ 186,365</b>	<b>\$ 196,596</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>54.22 %</b>	<b>44.45 %</b>	<b>45.48 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION  
Higher Education Supplemental Defined Benefit Plans

**Schedule of Changes in Total Pension Liability and Related Ratios**

**Central Washington University**

Fiscal Years Ended and Measurement Date June 30\*

(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 61	\$ 91	\$ 150
Interest	293	299	293
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(710)	(466)	(1,270)
Changes in assumptions	428	(272)	(616)
Benefit payments	(411)	(412)	(411)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>(339)</b>	<b>(760)</b>	<b>(1,854)</b>
<b>Total Pension Liability - Beginning</b>	<b>7,717</b>	<b>8,477</b>	<b>10,331</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 7,378</b>	<b>\$ 7,717</b>	<b>\$ 8,477</b>
<b>Covered payroll</b>	<b>\$ 8,952</b>	<b>\$ 10,368</b>	<b>\$ 11,028</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>82.41 %</b>	<b>74.43 %</b>	<b>76.87 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

**Schedule of Changes in Total Pension Liability and Related Ratios**

**Eastern Washington University**

Fiscal Years Ended and Measurement Date June 30\*

(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 463	\$ 477	\$ 658
Interest	614	429	420
Changes of benefit terms	—	—	—
Differences between expected and actual experience	421	3,867	(2,852)
Changes in assumptions	1,014	(621)	(647)
Benefit payments	(316)	(202)	(140)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>2,196</b>	<b>3,950</b>	<b>(2,561)</b>
<b>Total Pension Liability - Beginning</b>	<b>15,551</b>	<b>11,601</b>	<b>14,162</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 17,747</b>	<b>\$ 15,551</b>	<b>\$ 11,601</b>
<b>Covered payroll</b>	<b>\$ 32,357</b>	<b>\$ 34,114</b>	<b>\$ 38,505</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>54.85 %</b>	<b>45.59 %</b>	<b>30.13 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION  
Higher Education Supplemental Defined Benefit Plans

### Schedule of Changes in Total Pension Liability and Related Ratios

#### The Evergreen State College

Fiscal Years Ended and Measurement Date June 30\*

(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 154	\$ 210	\$ 296
Interest	235	237	230
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(108)	(565)	(1,327)
Changes in assumptions	694	(229)	(387)
Benefit payments	(137)	(183)	(158)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>838</b>	<b>(530)</b>	<b>(1,346)</b>
<b>Total Pension Liability - Beginning</b>	<b>5,980</b>	<b>6,510</b>	<b>7,856</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 6,818</b>	<b>\$ 5,980</b>	<b>\$ 6,510</b>
<b>Covered payroll</b>	<b>\$ 14,999</b>	<b>\$ 15,978</b>	<b>\$ 16,941</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>45.46 %</b>	<b>37.43 %</b>	<b>38.43 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

### Schedule of Changes in Total Pension Liability and Related Ratios

#### Western Washington University

Fiscal Years Ended and Measurement Date June 30\*

(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 551	\$ 737	\$ 1,057
Interest	825	837	842
Changes of benefit terms	—	—	—
Differences between expected and actual experience	2,298	(2,233)	(5,278)
Changes in assumptions	2,821	(819)	(2,126)
Benefit payments	(420)	(380)	(298)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>6,075</b>	<b>(1,858)</b>	<b>(5,803)</b>
<b>Total Pension Liability - Beginning</b>	<b>20,962</b>	<b>22,820</b>	<b>28,623</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 27,037</b>	<b>\$ 20,962</b>	<b>\$ 22,820</b>
<b>Covered payroll</b>	<b>\$ 53,024</b>	<b>\$ 52,750</b>	<b>\$ 55,840</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>50.99 %</b>	<b>39.74 %</b>	<b>40.87 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION  
Higher Education Supplemental Defined Benefit Plans

**Schedule of Changes in Total Pension Liability and Related Ratios**  
**State Board for Community and Technical Colleges**

Fiscal Years Ended and Measurement Date June 30\*  
(expressed in thousands)

	2019	2018	2017
<b>Total Pension Liability</b>			
Service cost	\$ 2,851	\$ 3,827	\$ 5,417
Interest	3,449	3,517	3,514
Changes of benefit terms	—	—	—
Differences between expected and actual experience	6,503	(10,402)	(25,336)
Changes in assumptions	12,227	(3,519)	(5,980)
Benefit payments	(1,818)	(1,300)	(902)
Other	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>23,212</b>	<b>(7,877)</b>	<b>(23,287)</b>
<b>Total Pension Liability - Beginning</b>	<b>87,173</b>	<b>95,050</b>	<b>118,337</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 110,385</b>	<b>\$ 87,173</b>	<b>\$ 95,050</b>
<b>Covered payroll</b>	<b>\$ 331,420</b>	<b>\$ 353,910</b>	<b>\$ 375,725</b>
<b>Total Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	<b>33.31 %</b>	<b>24.63 %</b>	<b>25.30 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

**Higher Education Supplemental Defined Benefit Plans**  
**Notes to Required Supplementary Information**

The Higher Education Supplemental Retirement Plans are financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees

when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth, and the variable income investment return.

## OTHER POSTEMPLOYMENT BENEFITS INFORMATION

### Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Date of June 30\*

(expressed in thousands)

	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 317,866	\$ 394,955
Interest	218,339	184,999
Changes in benefit terms	—	—
Difference between expected and actual experience	199,258	—
Changes in assumptions	(1,390,198)	(902,431)
Benefit payments	(92,200)	(94,279)
Changes in proportion	(15)	—
Other	—	—
<b>Net Changes in Total OPEB Liability</b>	<b>(746,950)</b>	<b>(416,755)</b>
<b>Total OPEB Liability - Beginning as restated</b>	<b>5,826,832</b>	<b>6,242,577</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 5,079,882</b>	<b>\$ 5,825,822</b>
<b>Covered-employee payroll</b>	<b>\$ 8,401,635</b>	<b>\$ 7,878,188</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>60.46 %</b>	<b>73.95 %</b>

\*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

### Notes to Required Supplementary Information

The Public Employees' Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

Total OPEB liability beginning balance for the measurement date of June 30, 2018, was restated to reflect the changes in proportion between the state and the Washington Economic Development Finance Authority which operates on a cash basis and does not report an OPEB liability. The restatement also includes OPEB amounts for the Health Care Benefits Exchange which was omitted from the table in the prior year.

## Infrastructure Assets Reported Using the Modified Approach

### Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level at which assets are to be

preserved or maintained, as established by administrative or executive policy, or by legislative action.

- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state of Washington's network of highway pavements, bridges, and rest areas. In fiscal year 2019, the state was responsible for maintaining and preserving 20,815 pavement lane miles, 3,932 bridges and tunnels, and 47 highway safety rest areas.

### PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 - 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 - 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 - 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 - 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 - 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. WSDOT assesses pavement with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 - 100	< 96	< 0.24
Good	60 - 79	96 - 170	0.24 - 0.41
Fair	40 - 59	171 - 220	0.42 - 0.58
Poor	20 - 39	221 - 320	0.59 - 0.74
Very Poor	0 - 19	> 320	> 0.74

The WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows pavement condition ratings for state highways:

Pavements			
Percentage in Fair or Better Condition			
Two-Year Cycle Ending Calendar Year			
2017	2015	2013	Average of Last Three Assessments
93.2%	93.2%	92.8%	93.1%

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements									
Preservation and Maintenance - Planned to Actual - Fiscal Year									
(expressed in thousands)									
		2019		2018		2017		2016	2015
Planned	\$	227,625	\$	263,555	\$	304,040	\$	160,423	\$ 173,716
Actual		269,236		271,474		264,315		161,211	142,789
Variance	\$	(41,611)	\$	(7,919)	\$	39,725	\$	(788)	\$ 30,927
		-18.3%		-3.0%		13.1%		-0.5%	17.8%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at: <http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm>.

## BRIDGE CONDITION

The WSDOT inspects and performs condition assessments every two fiscal years on all of the 3,344 state-owned bridges in excess of 20 feet in length. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's *Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges*, which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code	Description
Good	7 or 8	A range from no problems noted to some minor problems.
Fair	5 or 6	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows condition ratings for state bridges:

Bridges			
Percentage in Fair or Better Condition			
Two-Year Cycle Ending Fiscal Year			
2019	2017	2015	Average of Last Three Assessments
92.9%	91.8%	92.1%	92.3%

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges					
Preservation and Maintenance - Planned to Actual - Fiscal Year					
(expressed in thousands)					
	2019	2018	2017	2016	2015
Planned	\$ 182,409	\$ 106,595	\$ 45,891	\$ 75,160	\$ 71,078
Actual	146,816	87,068	45,088	66,339	64,060
Variance	\$ 35,593	\$ 19,527	\$ 803	\$ 8,821	\$ 7,018
	19.5%	18.3%	1.7%	11.7%	9.9%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at: <http://www.wsdot.wa.gov/Bridge/Structures/>.



## SAFETY REST AREA CONDITION

The WSDOT performs condition assessments on safety rest areas every two fiscal years. Sites and buildings are divided into functional components that are assessed with a five-tiered condition scale: excellent, good, fair, poor, and unacceptable condition. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program, and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better, based on an average condition level of the last three assessments.

The following table shows condition ratings for safety rest areas:

Safety Rest Areas			
Percentage in Fair or Better Condition			
Two-Year Cycle Ending Fiscal Year *			
2019	2017	2015	Average of Last Three Assessments
97.8%	100.0%	100.0%	99.3%

\* In 2019, the reporting methodology was changed from calendar year basis to fiscal year basis to align with the WSDOT accounting policy.

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas									
Preservation and Maintenance - Planned to Actual - Fiscal Year									
(expressed in thousands)									
		2019		2018		2017		2016	2015
Planned	\$	11,084	\$	9,609	\$	9,964	\$	7,204	\$ 8,463
Actual		9,004		7,986		8,011		7,185	8,369
Variance	\$	2,080	\$	1,623	\$	1,953	\$	19	\$ 94
		18.8%		16.9%		19.6%		0.3%	1.1%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activities in response to economic forecasts and other factors.

For more information about safety rest areas, refer to the WSDOT's website at: <http://www.wsdot.wa.gov/safety/restareas>.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Peace Corps**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
08.U01	Peace Corps - Unknown CFDA Number	PC148072	3650	22,324		0
<b>Federal Program 08.U01 Total</b>				<b>22,324</b>		<b>0</b>
<b>Peace Corps Total</b>				<b>22,324</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.025	Plant and Animal Disease, Pest Control, and Animal		3650	1,673,648	0	
10.025		182432	3650	16,190	0	PT
10.025			4670	161,372	0	
10.025			4950	3,039,527	40,150	
<b>Federal Program 10.025 Total</b>				<b>4,890,737</b>	<b>40,150</b>	
10.054	Emergency Conservation Program		4710	2,199	2,199	
<b>Federal Program 10.054 Total</b>				<b>2,199</b>	<b>2,199</b>	
10.069	Conservation Reserve Program		4710	2,757	2,757	
10.069			4770	98,181	0	
<b>Federal Program 10.069 Total</b>				<b>100,938</b>	<b>2,757</b>	
10.093	Voluntary Public Access & Habitat Incentive Progra		4770	293,403	0	
<b>Federal Program 10.093 Total</b>				<b>293,403</b>	<b>0</b>	
10.156	Federal-State Marketing Improvement Program		3600	43,644	21,861	
10.156			3650	(3,452)	0	
<b>Federal Program 10.156 Total</b>				<b>40,192</b>	<b>21,861</b>	
10.163	Market Protection and Promotion		4950	1,142,134	0	
<b>Federal Program 10.163 Total</b>				<b>1,142,134</b>	<b>0</b>	
10.167	Transportation Services		3650	200,535	0	
<b>Federal Program 10.167 Total</b>				<b>200,535</b>	<b>0</b>	
10.170	Specialty Crop Block Grant Program - Farm Bill	ORSO131825001	3650	3,324	0	PT
10.170			4950	4,149,162	3,312,376	
<b>Federal Program 10.170 Total</b>				<b>4,152,486</b>	<b>3,312,376</b>	
10.171	Organic Certification Cost Share Programs		4950	363,103	334,233	
<b>Federal Program 10.171 Total</b>				<b>363,103</b>	<b>334,233</b>	
10.172	Local Food Promotion Program		3650	147	0	
<b>Federal Program 10.172 Total</b>				<b>147</b>	<b>0</b>	
10.178	Trade Mitigation Program Eligible Recipient Agen		4950	247,332	247,332	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Agriculture**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 10.178 Total</b>				<b>247,332</b>	<b>247,332</b>	
10.217	Higher Education - Institution Challenge Grants Pr		3600	22,361	0	
10.217			3650	17,746	0	
10.217		3TH607	3650	8,679	0	PT
10.217			6990	178,676	0	
<b>Federal Program 10.217 Total</b>				<b>227,462</b>	<b>0</b>	
10.253	Consumer Data and Nutrition Research		3600	1,902	0	
<b>Federal Program 10.253 Total</b>				<b>1,902</b>	<b>0</b>	
10.303	Integrated Programs		3650	55,574	5,711	
10.303		FAR0021477	3650	(15,748)	0	PT
<b>Federal Program 10.303 Total</b>				<b>39,826</b>	<b>5,711</b>	
10.304	Homeland Security_Agricultural		3650	336,142	0	
10.304		20160379404	3650	55,716	0	PT
<b>Federal Program 10.304 Total</b>				<b>391,858</b>	<b>0</b>	
10.308	Resident Instruction Grants for Insular Area Activ	RR6444188644577	3650	70	0	PT
10.308		SUB00000421	3650	3,677	0	PT
<b>Federal Program 10.308 Total</b>				<b>3,747</b>	<b>0</b>	
10.309	Specialty Crop Research Initiative	S15187 MOD02	3600	1,984	0	PT
10.309			3650	2,742,522	789,533	
10.309		2011160914	3650	(69)	0	PT
10.309		20140375704	3650	178,888	0	PT
10.309		2016149806	3650	112,047	0	PT
10.309		2017039813	3650	153,047	0	PT
10.309		350K873	3650	5	0	PT
10.309		7399910422	3650	94,717	0	PT
10.309		7961110753	3650	154,672	0	PT
10.309		8198010924	3650	38,113	0	PT
10.309		8500042730	3650	651,983	0	PT
10.309		9144702	3650	88,855	0	PT
10.309		G18219W7553	3650	33,277	0	PT
10.309		RC104285L	3650	610,103	21,944	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.309	Specialty Crop Research Initiative	RC106347WSU	3650	69,882	0	PT
10.309		UFDSP00010606	3650	60,305	0	PT
10.309		UFDSP00012310	3650	54,430	0	PT
<b>Federal Program 10.309 Total</b>				<b>5,044,761</b>	<b>811,477</b>	
10.311	Beginning Farmer and Rancher Development Program	ORSO130291	3650	1,633	0	PT
10.311		2016-700017-25348	6990	32,594	0	PT
<b>Federal Program 10.311 Total</b>				<b>34,227</b>	<b>0</b>	
10.326	Capacity Building for Non-Land Grant Colleges of A		6990	28,671	0	
<b>Federal Program 10.326 Total</b>				<b>28,671</b>	<b>0</b>	
10.328	National Food Safety Training, Education, Extensio		3650	8,503	0	
10.328		9500073538	3650	4,771	0	PT
10.328		BLK246SB003	3650	38,525	0	PT
10.328		ORSO128916	3650	1,495	0	PT
<b>Federal Program 10.328 Total</b>				<b>53,294</b>	<b>0</b>	
10.329	Crop Protection and Pest Management Competitive Gr		3650	557,286	80,309	
<b>Federal Program 10.329 Total</b>				<b>557,286</b>	<b>80,309</b>	
10.330	Alfalfa and Forage Research Program		3650	190,216	89,208	
<b>Federal Program 10.330 Total</b>				<b>190,216</b>	<b>89,208</b>	
10.331	Food Insecurity Nutrition Incentive Grants Program		3030	2,205,154	1,964,522	
10.331		ORSO127670002	3650	13,716	0	PT
<b>Federal Program 10.331 Total</b>				<b>2,218,870</b>	<b>1,964,522</b>	
10.351	Rural Business Development Grant	UW635644	3600	22,805	0	PT
10.351			3650	40,053	0	
10.351			6990	14,793	0	
10.351		R094145 58913	6990	35,387	0	PT
<b>Federal Program 10.351 Total</b>				<b>113,038</b>	<b>0</b>	
10.406	Farm Operating Loans		3650	(20)	0	
<b>Federal Program 10.406 Total</b>				<b>(20)</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.443	Outreach and Assistance for Socially Disadvantaged	134303	3650	19,639		0 PT
10.443		ORSO130090	3650	22,815		0 PT
<b>Federal Program 10.443 Total</b>				<b>42,454</b>		<b>0</b>
10.460	Risk Management Education Partnerships	134767	3650	11,675		0 PT
10.460		ORSO132302	3650	17,587		0 PT
<b>Federal Program 10.460 Total</b>				<b>29,262</b>		<b>0</b>
10.500	Cooperative Extension Service		3650	5,707,872	605,938	
10.500		5968WSUUM3501	3650	18,791		0 PT
10.500		F9000067402012	3650	12,594		0 PT
10.500		M1800199	3650	31,298		0 PT
10.500		S17103	3650	(299)		0 PT
10.500		S18094	3650	17,609		0 PT
10.500		S18129	3650	18,304		0 PT
10.500		S19120	3650	20,259		0 PT
10.500		S19155	3650	2,983		0 PT
<b>Federal Program 10.500 Total</b>				<b>5,829,411</b>	<b>605,938</b>	
10.535	SNAP Fraud Framework Implementation Grant		3000	125,570		0
<b>Federal Program 10.535 Total</b>				<b>125,570</b>		<b>0</b>
10.536	Cacfp Training Grants		3500	6,155		0
<b>Federal Program 10.536 Total</b>				<b>6,155</b>		<b>0</b>
10.545	Farmers' Market Supplemental Nutrition Assistance		3650	35,906		603
<b>Federal Program 10.545 Total</b>				<b>35,906</b>		<b>603</b>
10.557	WIC Special Supplemental Nutrition Program for Wom		3030	119,576,810	35,906,387	
<b>Federal Program 10.557 Total</b>				<b>119,576,810</b>	<b>35,906,387</b>	
10.558	Child and Adult Care Food Program		3500	45,963,444		45,335,504
<b>Federal Program 10.558 Total</b>				<b>45,963,444</b>		<b>45,335,504</b>
10.560	State Administrative Expenses for Child Nutrition		3500	4,899,373		0
<b>Federal Program 10.560 Total</b>				<b>4,899,373</b>		<b>0</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.572	WIC Farmers' Market Nutrition Program (Fmnp)		3030	670,479	45,116	
<b>Federal Program 10.572 Total</b>				<b>670,479</b>	<b>45,116</b>	
10.576	Senior Farmers Market Nutrition Program		3000	237,146	8,037	
<b>Federal Program 10.576 Total</b>				<b>237,146</b>	<b>8,037</b>	
10.578	WIC Grants to States (Wgs)		3030	2,973,312	20,055	
<b>Federal Program 10.578 Total</b>				<b>2,973,312</b>	<b>20,055</b>	
10.579	Child Nutrition Discretionary Grants		3500	512,983	511,385	
<b>Federal Program 10.579 Total</b>				<b>512,983</b>	<b>511,385</b>	
10.580	Supplemental Nutrition Assistance Program, Process		3000	60,056	0	
<b>Federal Program 10.580 Total</b>				<b>60,056</b>	<b>0</b>	
10.582	Fresh Fruit and Vegetable Program		3500	3,313,527	3,298,679	
<b>Federal Program 10.582 Total</b>				<b>3,313,527</b>	<b>3,298,679</b>	
10.596	Pilot Projects to Reduce Dependency and Increase		3000	4,093,450	2,514,658	
<b>Federal Program 10.596 Total</b>				<b>4,093,450</b>	<b>2,514,658</b>	
10.604	Technical Assistance for Specialty Crops Program	130329001	3650	3,043	0	PT
10.604		A160082S002	3650	(312)	0	PT
10.604		ORSO130051	3650	68,659	0	PT
10.604		TASC201809	3650	5,599	0	PT
10.604		WAC141520	3650	570,140	0	PT
<b>Federal Program 10.604 Total</b>				<b>647,129</b>	<b>0</b>	
10.664	Cooperative Forestry Assistance		4900	4,693,841	0	
<b>Federal Program 10.664 Total</b>				<b>4,693,841</b>	<b>0</b>	
10.674	Wood Utilization Assistance		3600	128,407	37,093	
10.674			3650	2,600	0	
10.674		0100	3650	7,748	0	PT
10.674			4900	84,359	0	
<b>Federal Program 10.674 Total</b>				<b>223,114</b>	<b>37,093</b>	
10.676	Forest Legacy Program		4900	46,504	4,000	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Agriculture**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 10.676 Total</b>				<b>46,504</b>	<b>4,000</b>	
10.678	Forest Stewardship Program		4900	4,030	0	
<b>Federal Program 10.678 Total</b>				<b>4,030</b>	<b>0</b>	
10.684	International Forestry Programs	HV72	3600	584	0	PT
<b>Federal Program 10.684 Total</b>				<b>584</b>	<b>0</b>	
10.691	Good Neighbor Authority		4900	453,306	0	
<b>Federal Program 10.691 Total</b>				<b>453,306</b>	<b>0</b>	
10.697	State & Private Forestry Hazardous Fuel Reduction		4900	16,714	0	
<b>Federal Program 10.697 Total</b>				<b>16,714</b>	<b>0</b>	
10.699	Partnership Agreements		3750	46,745	0	
10.699			3800	8,003	0	
<b>Federal Program 10.699 Total</b>				<b>54,748</b>	<b>0</b>	
10.707	Research Joint Venture and Cost Reimbursable Agree		3650	332,308	0	
<b>Federal Program 10.707 Total</b>				<b>332,308</b>	<b>0</b>	
10.707	Research Joint Venture and Cost Reimbursable Agree		3800	14,796	0	
<b>Federal Program 10.707 Total</b>				<b>14,796</b>	<b>0</b>	
10.777	Norman E. Borlaug International Agricultural Scien		3650	75,060	0	
<b>Federal Program 10.777 Total</b>				<b>75,060</b>	<b>0</b>	
10.855	Distance Learning and Telemedicine Loans and Grant		6990	63,282	0	
<b>Federal Program 10.855 Total</b>				<b>63,282</b>	<b>0</b>	
10.868	Rural Energy for America Program		4710	23,119	23,119	
<b>Federal Program 10.868 Total</b>				<b>23,119</b>	<b>23,119</b>	
10.902	Soil and Water Conservation		3650	125,215	0	
10.902			4710	129,134	129,134	
10.902			4770	330,681	0	
<b>Federal Program 10.902 Total</b>				<b>585,030</b>	<b>129,134</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.912	Environmental Quality Incentives Program		3650	429,098	0	
10.912		132276001	3650	12,087	0	PT
10.912			4710	192,697	192,697	
<b>Federal Program 10.912 Total</b>				<b>633,882</b>	<b>192,697</b>	
10.924	Conservation Stewardship Program		4710	68,152	68,152	
<b>Federal Program 10.924 Total</b>				<b>68,152</b>	<b>68,152</b>	
10.932	Regional Conservation Partnership Program		4710	89,363	89,363	
10.932			4770	18,893	0	
<b>Federal Program 10.932 Total</b>				<b>108,256</b>	<b>89,363</b>	
10.960	Technical Agricultural Assistance		3650	1,111,892	500,000	
<b>Federal Program 10.960 Total</b>				<b>1,111,892</b>	<b>500,000</b>	
10.962	Cochran Fellowship Program-International Training-		3650	53,214	0	
<b>Federal Program 10.962 Total</b>				<b>53,214</b>	<b>0</b>	
10.U01	Agriculture - Unknown CFDA Number	UWPP-07	3700	2,006	0	PT
<b>Federal Program 10.U01 Total</b>				<b>2,006</b>	<b>0</b>	
10.U02	Agriculture - Unknown CFDA Number	17-CS-11062200-012	4600	15,000	0	
<b>Federal Program 10.U02 Total</b>				<b>15,000</b>	<b>0</b>	
10.U16	Agriculture - Unknown CFDA Number	16-CS-11010400-038	4770	1,754	0	
10.U16		17-PA-11062754-038	4770	25,479	0	
10.U16		Agreement	4770	54,923	0	
<b>Federal Program 10.U16 Total</b>				<b>82,156</b>	<b>0</b>	
<b>Dept of Agriculture Total</b>				<b>218,015,805</b>	<b>96,202,055</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Commerce**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
11.008	NOAA Mission-Related Education Awards		4610	66,921	0	
	<b>Federal Program 11.008 Total</b>			<b>66,921</b>	<b>0</b>	
11.011	Ocean Exploration		3600	56,955	33,626	
11.011		24185600	3600	5,835	0	PT
11.011		800009482-01UG	3600	741	0	PT
	<b>Federal Program 11.011 Total</b>			<b>63,531</b>	<b>33,626</b>	
11.012	Integrated Ocean Observing System (Ioos)		3600	2,817,689	1,547,503	
11.012		2013-014 AM06	3600	7,653	0	PT
11.012		H2400-63 AM03	3600	21,611	0	PT
11.012		H2400-82 AM04	3600	5,037	0	PT
11.012		UAF 15-0085 AM03	3600	15,708	0	PT
	<b>Federal Program 11.012 Total</b>			<b>2,867,698</b>	<b>1,547,503</b>	
11.017	Ocean Acidification Program		3600	172,013	24,543	
	<b>Federal Program 11.017 Total</b>			<b>172,013</b>	<b>24,543</b>	
11.020	Cluster Grants		1030	53,787	0	
	<b>Federal Program 11.020 Total</b>			<b>53,787</b>	<b>0</b>	
11.112	Market Development Cooperator Program		1030	17,482	8,000	
	<b>Federal Program 11.112 Total</b>			<b>17,482</b>	<b>8,000</b>	
11.303	Economic Development_Technical Assistance		3600	100,001	0	
11.303			3650	100,155	0	
11.303		EDA ED17SEA3020076	3700	19,699	0	PT
11.303		EDA PARTNERSHIP	3700	15,000	0	PT
	<b>Federal Program 11.303 Total</b>			<b>234,855</b>	<b>0</b>	
11.407	Interjurisdictional Fisheries Act of 1986	19-52G	4770	183	0	PT
11.407		19-68G	4770	111,535	0	PT
11.407		SF-2018-SP-22	4770	34,120	0	PT
11.407		SF-2018-VHP-12	4770	45,724	0	PT
11.407		SF-2018-VHP-14A	4770	79,399	0	PT
	<b>Federal Program 11.407 Total</b>			<b>270,961</b>	<b>0</b>	
11.419	Coastal Zone Management Administration Awards		4610	2,684,436	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 11.419 Total</b>				<b>2,684,436</b>	<b>0</b>	
11.436	Columbia River Fisheries Development Program		4670	314,087		0
11.436			4770	5,950,347		0
<b>Federal Program 11.436 Total</b>				<b>6,264,434</b>	<b>0</b>	
11.437	Pacific Fisheries Data Program		3050	40,610		0
11.437		15-85C AM02	3600	6,219		0 PT
11.437		16-104G AM01	3600	84,175		0 PT
11.437		17-04G AM02	3600	201,959		0 PT
11.437		17-41C	4770	69,142		0 PT
11.437		19-01G	4770	65,493		0 PT
11.437		19-19G	4770	44,065		0 PT
11.437		19-23G	4770	202,065		0 PT
11.437		19-49G	4770	714,396		0 PT
11.437		19-50G	4770	24,327		0 PT
<b>Federal Program 11.437 Total</b>				<b>1,452,451</b>	<b>0</b>	
11.438	Pacific Coast Salmon Recovery_Pacific Salmon Treat	AC-1704A REV02	3600	87,156		0 PT
11.438		AC-1705A REV02	3600	23,934		0 PT
11.438			4670	16,306,844	11,184,624	
11.438			4770	2,446,096		0
11.438		V419-12	4770	553		0 PT
11.438		WDFW	4770	150,100		0 PT
<b>Federal Program 11.438 Total</b>				<b>19,014,683</b>	<b>11,184,624</b>	
11.439	Marine Mammal Data Program		4770	99,511		0
11.439		19-59G	4770	152,426		0 PT
<b>Federal Program 11.439 Total</b>				<b>251,937</b>	<b>0</b>	
11.441	Regional Fishery Management Councils	18-116G	4770	131,003		0 PT
11.441		2018-3	4770	4,557		0 PT
11.441		LIA 2019-03	4770	52,182		0 PT
<b>Federal Program 11.441 Total</b>				<b>187,742</b>	<b>0</b>	
11.452	Unallied Industry Projects	AC-1515 REV02	3600	35,171	18,011	PT
<b>Federal Program 11.452 Total</b>				<b>35,171</b>	<b>18,011</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.463	Habitat Conservation	WA-S-170307-021-2	3600	14,783	0	PT
11.463			4770	891,858	0	
11.463		WA-S-161130-012	4770	55,670	0	PT
<b>Federal Program 11.463 Total</b>				<b>962,311</b>	<b>0</b>	
11.473	Office for Coastal Management		3600	377,531	133,972	
11.473		WA-G-170818-006	3600	14,721	0	PT
11.473			4610	2,815	0	
<b>Federal Program 11.473 Total</b>				<b>395,067</b>	<b>133,972</b>	
11.478	Center for Sponsored Coastal Ocean Research_Coasta		3600	323,761	25,440	
<b>Federal Program 11.478 Total</b>				<b>323,761</b>	<b>25,440</b>	
11.619	Arrangements for Interdisciplinary Research Infrass	G-00745-1 AM04	3600	82,785	0	PT
<b>Federal Program 11.619 Total</b>				<b>82,785</b>	<b>0</b>	
11.U01	Commerce - Unknown CFDA Number	S20170118	3650	228,230	0	PT
<b>Federal Program 11.U01 Total</b>				<b>228,230</b>	<b>0</b>	
11.U02	Commerce - Unknown CFDA Number	2018-25-NWSC	4610	14,115	0	PT
<b>Federal Program 11.U02 Total</b>				<b>14,115</b>	<b>0</b>	
11.U18	Commerce - Unknown CFDA Number	1333MF18PNFFP0099	4770	6,295	0	
<b>Federal Program 11.U18 Total</b>				<b>6,295</b>	<b>0</b>	
<b>Dept of Commerce Total</b>				<b>35,650,666</b>	<b>12,975,719</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.010	Youth Conservation Services		4610	37,644	0	
	<b>Federal Program 12.010 Total</b>			<b>37,644</b>	<b>0</b>	
12.112	Payments to States in Lieu of Real Estate Taxes		0050	37,466	0	
	<b>Federal Program 12.112 Total</b>			<b>37,466</b>	<b>0</b>	
12.130	Estuary Habitat Restoration Program		4900	59,363	0	
	<b>Federal Program 12.130 Total</b>			<b>59,363</b>	<b>0</b>	
12.400	Military Construction, National Guard		2450	6,103,408	0	
	<b>Federal Program 12.400 Total</b>			<b>6,103,408</b>	<b>0</b>	
12.401	National Guard Military Operations and Maintenance		2450	19,406,403	0	
12.401		EWAC20160740	3760	34,343	0	PT
	<b>Federal Program 12.401 Total</b>			<b>19,440,746</b>	<b>0</b>	
12.404	National Guard Challenge Program		2450	3,517,274	0	
	<b>Federal Program 12.404 Total</b>			<b>3,517,274</b>	<b>0</b>	
12.610	Community Economic Adjustment Assistance for Compa		1030	319,834	0	
12.610		WA-S-2014-015-3 AM03	3600	(529)	0	PT
	<b>Federal Program 12.610 Total</b>			<b>319,305</b>	<b>0</b>	
12.632	Legacy Resource Management Program		3600	150,410	15,000	
12.632			3650	131,953	74,548	
	<b>Federal Program 12.632 Total</b>			<b>282,363</b>	<b>89,548</b>	
12.750	Uniformed Services University Medical Research Pro		3600	111,667	0	
12.750		3810 MOD 3 PO 904589	3600	85,834	0	PT
12.750		3810 MOD 3 PO 904589	3600	84,762	0	PT
12.750		4771 PO#960154	3600	39,836	0	PT
12.750		HU00011810043	3650	154,235	5,240	PT
	<b>Federal Program 12.750 Total</b>			<b>476,334</b>	<b>5,240</b>	
12.900	Language Grant Program		3600	71,833	0	
	<b>Federal Program 12.900 Total</b>			<b>71,833</b>	<b>0</b>	
12.903	Gencyber Grants Program		3600	2,101	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Defense**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.903	Gencyber Grants Program		6990	47,681		0
	<b>Federal Program 12.903 Total</b>			<b>49,782</b>		<b>0</b>
12.905	Cybersecurity CORE Curriculum		3600	139,549		0
	<b>Federal Program 12.905 Total</b>			<b>139,549</b>		<b>0</b>
12.U01	DOD - Unknown CFDA Number	IPA160013	3650	18,216		0
	<b>Federal Program 12.U01 Total</b>			<b>18,216</b>		<b>0</b>
12.U02	DOD - Unknown CFDA Number	NAFBA113M0237	3650	278		0
	<b>Federal Program 12.U02 Total</b>			<b>278</b>		<b>0</b>
12.U03	DOD - Unknown CFDA Number	SER101405	3650	5,764		0
	<b>Federal Program 12.U03 Total</b>			<b>5,764</b>		<b>0</b>
12.U04	DOD - Unknown CFDA Number	SER101410	3650	9,963		0
	<b>Federal Program 12.U04 Total</b>			<b>9,963</b>		<b>0</b>
12.U05	DOD - Unknown CFDA Number	W912HQ15C0023	3650	106,551		0
	<b>Federal Program 12.U05 Total</b>			<b>106,551</b>		<b>0</b>
12.U06	DOD - Unknown CFDA Number	W912HQ15C0076	3650	(667)		0
	<b>Federal Program 12.U06 Total</b>			<b>(667)</b>		<b>0</b>
<b>Dept of Defense Total</b>				<b>30,675,172</b>	<b>94,788</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Housing & Urban Development**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
14.169	Housing Counseling Assistance Program		1480	490,338	467,355	
14.169			2350	82,571	0	
<b>Federal Program 14.169 Total</b>				<b>572,909</b>	<b>467,355</b>	
14.228	Community Development Block Grants/State's Program		1030	14,346,979	13,957,151	
<b>Federal Program 14.228 Total</b>				<b>14,346,979</b>	<b>13,957,151</b>	
14.231	Emergency Solutions Grant Program		1030	2,359,734	2,359,734	
<b>Federal Program 14.231 Total</b>				<b>2,359,734</b>	<b>2,359,734</b>	
14.239	Home Investment Partnerships Program		1030	4,836,617	4,260,345	
<b>Federal Program 14.239 Total</b>				<b>4,836,617</b>	<b>4,260,345</b>	
14.241	Housing Opportunities for Persons With AIDS		1030	(342)	(373)	
14.241			3030	1,075,577	1,036,224	
<b>Federal Program 14.241 Total</b>				<b>1,075,235</b>	<b>1,035,851</b>	
14.267	Continuum of Care Program		1030	278,426	0	
<b>Federal Program 14.267 Total</b>				<b>278,426</b>	<b>0</b>	
14.275	Housing Trust Fund		1030	1,220,468	884,369	
<b>Federal Program 14.275 Total</b>				<b>1,220,468</b>	<b>884,369</b>	
14.326	Proj Rental Assist Demo Prog of S811 Supprt Housng		1030	610,261	595,548	
<b>Federal Program 14.326 Total</b>				<b>610,261</b>	<b>595,548</b>	
14.401	Fair Housing Assistance Program_State and Local		1200	373,591	0	
<b>Federal Program 14.401 Total</b>				<b>373,591</b>	<b>0</b>	
14.536	Research and Evaluations, Demonstrations, and Data	501248SG142 AM01	3600	31,546	0	PT
<b>Federal Program 14.536 Total</b>				<b>31,546</b>	<b>0</b>	
14.U01	HUD - Unknown CFDA Number	HAPC2019	1480	44,700	0	PT
<b>Federal Program 14.U01 Total</b>				<b>44,700</b>	<b>0</b>	
<b>Housing &amp; Urban Development Total</b>				<b>25,750,466</b>	<b>23,560,353</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
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**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.036	Indian Rights Protection	16-6-55	3800	842	0	PT
15.036		V18-08	4770	3,112	0	PT
<b>Federal Program 15.036 Total</b>				<b>3,954</b>	<b>0</b>	
15.114	Indian Education Higher Education Grant		3650	823,956	0	
<b>Federal Program 15.114 Total</b>				<b>823,956</b>	<b>0</b>	
15.156	Tribal Climate Resilience	UW636205	3600	63,833	0	PT
<b>Federal Program 15.156 Total</b>				<b>63,833</b>	<b>0</b>	
15.224	Cultural and Paleontological Resource Management		3650	1,296	0	
<b>Federal Program 15.224 Total</b>				<b>1,296</b>	<b>0</b>	
15.225	Recreation and Visitor Services		3650	58,705	0	
<b>Federal Program 15.225 Total</b>				<b>58,705</b>	<b>0</b>	
15.227	Distribution of Receipts to State and Local Govern		0050	21,874	0	
15.227			0900	0	(1,830)	
<b>Federal Program 15.227 Total</b>				<b>21,874</b>	<b>(1,830)</b>	
15.228	Blm Wildland Urban Interface Community Fire Assist		4900	20,000	0	
<b>Federal Program 15.228 Total</b>				<b>20,000</b>	<b>0</b>	
15.230	Invasive and Noxious Plant Management		4950	69,872	69,872	
<b>Federal Program 15.230 Total</b>				<b>69,872</b>	<b>69,872</b>	
15.231	Fish, Wildlife and Plant Conservation Resource Man		3600	57,230	0	
15.231			3650	3,231	0	
15.231			4770	218,293	0	
<b>Federal Program 15.231 Total</b>				<b>278,754</b>	<b>0</b>	
15.232	Wildland Fire Research and Studies Program		3600	74,165	13,293	
15.232		200588-00001-323	3600	12,539	0	PT
15.232		GTK601-SB-002 AM01	3600	(17,018)	0	PT
15.232			3650	59,997	1,082	
15.232		S000769	3650	2,257	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 15.232 Total</b>				<b>131,940</b>	<b>14,375</b>	
15.238	Challenge Cost Share		3650	18,842	4,579	
<b>Federal Program 15.238 Total</b>				<b>18,842</b>	<b>4,579</b>	
15.243	Youth Conservation Opportunities on Public Lands		4610	18,221	0	
<b>Federal Program 15.243 Total</b>				<b>18,221</b>	<b>0</b>	
15.245	Plant Conservation and Restoration Management		3600	20,974	0	
<b>Federal Program 15.245 Total</b>				<b>20,974</b>	<b>0</b>	
15.246	Threatened and Endangered Species		3650	9,058	0	
<b>Federal Program 15.246 Total</b>				<b>9,058</b>	<b>0</b>	
15.423	Bureau of Ocean Energy Management (Boem) Environme	UAF 18-0058	3600	94,168	0	PT
<b>Federal Program 15.423 Total</b>				<b>94,168</b>	<b>0</b>	
15.517	Fish and Wildlife Coordination Act		3600	359,459	0	
15.517			4670	13,904	0	
15.517			4770	303,809	0	
<b>Federal Program 15.517 Total</b>				<b>677,172</b>	<b>0</b>	
15.531	Yakima River Basin Water Enhancement Project (Yrbw)		4610	66,051	0	
<b>Federal Program 15.531 Total</b>				<b>66,051</b>	<b>0</b>	
15.608	Fish and Wildlife Management Assistance		3600	16,307	0	
15.608		201000060075	3650	(8)	0	PT
15.608			4770	122,035	0	
15.608		80-888-3052	4770	9,390	0	PT
<b>Federal Program 15.608 Total</b>				<b>147,724</b>	<b>0</b>	
15.614	Coastal Wetlands Planning, Protection and Restorat		4610	3,544,600	2,057,519	
15.614			4770	739,098	0	
15.614			4900	576,836	0	
<b>Federal Program 15.614 Total</b>				<b>4,860,534</b>	<b>2,057,519</b>	
15.615	Cooperative Endangered Species Conservation Fund	438401	3600	289,045	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.615	Cooperative Endangered Species Conservation Fund	629463-OM AM01	3600	8,864	0	PT
15.615			4770	2,840,720	0	
15.615			4900	3,061,539	75,988	
<b>Federal Program 15.615 Total</b>				<b>6,200,168</b>	<b>75,988</b>	
15.616	Clean Vessel Act		4650	1,464,812	0	
<b>Federal Program 15.616 Total</b>				<b>1,464,812</b>	<b>0</b>	
15.622	Sportfishing and Boating Safety Act		4670	1,732,768	1,664,203	
<b>Federal Program 15.622 Total</b>				<b>1,732,768</b>	<b>1,664,203</b>	
15.623	North American Wetlands Conservation Fund	WA-331-6	4770	4,846	0	PT
<b>Federal Program 15.623 Total</b>				<b>4,846</b>	<b>0</b>	
15.626	Enhanced Hunter Education and Safety Program		4770	239,288	0	
<b>Federal Program 15.626 Total</b>				<b>239,288</b>	<b>0</b>	
15.630	Coastal		4770	5,830	0	
<b>Federal Program 15.630 Total</b>				<b>5,830</b>	<b>0</b>	
15.631	Partners for Fish and Wildlife		3650	5,587	0	
15.631			4670	374,121	0	
15.631			4770	1,140,502	0	
<b>Federal Program 15.631 Total</b>				<b>1,520,210</b>	<b>0</b>	
15.634	State Wildlife Grants		4770	1,530,550	0	
15.634		Agreement	4770	6,726	0	PT
15.634		IDFW-FY18-198	4770	25,873	0	PT
<b>Federal Program 15.634 Total</b>				<b>1,563,149</b>	<b>0</b>	
15.640	Latin America and Caribbean Regional		3650	26,509	0	
<b>Federal Program 15.640 Total</b>				<b>26,509</b>	<b>0</b>	
15.648	Central Valley Project Improvement (Cvpi) Anadromo		3600	43,805	0	
<b>Federal Program 15.648 Total</b>				<b>43,805</b>	<b>0</b>	
15.652	Invasive Species		4770	23,046	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of the Interior**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 15.652 Total</b>				<b>23,046</b>	<b>0</b>	
15.654	National Wildlife Refuge System Enhancements		3600	10,300	0	
15.654			4610	44,500	0	
<b>Federal Program 15.654 Total</b>				<b>54,800</b>	<b>0</b>	
15.655	Migratory Bird Monitoring, Assessment and Conserva		4770	3,463	0	
<b>Federal Program 15.655 Total</b>				<b>3,463</b>	<b>0</b>	
15.657	Endangered Species Conservation		3600	8,136	0	
15.657			3650	1,694	0	
15.657			3760	64,156	0	
15.657		18-09956	3760	32,458	0	PT
15.657			4770	281,059	0	
15.657		WA-C-2018-018-0	4770	2,538	0	PT
15.657		WNS 2018-05	4770	24,016	0	PT
<b>Federal Program 15.657 Total</b>				<b>414,057</b>	<b>0</b>	
15.660	Endangered Species - Candidate Conservation Action		4770	40,483	0	
15.660			4900	29,967	3,504	
<b>Federal Program 15.660 Total</b>				<b>70,450</b>	<b>3,504</b>	
15.661	Lower Snake River Compensation Plan		4770	4,195,768	0	
<b>Federal Program 15.661 Total</b>				<b>4,195,768</b>	<b>0</b>	
15.663	Nfwf-USfws Conservation Partnership	080918060960	3650	14,982	0	PT
15.663		0103.13.040396	4770	6,601	0	PT
<b>Federal Program 15.663 Total</b>				<b>21,583</b>	<b>0</b>	
15.666	Endangered Species Conservation-Wolf Livestock Los		4770	77,307	0	
<b>Federal Program 15.666 Total</b>				<b>77,307</b>	<b>0</b>	
15.678	Cooperative Ecosystem Studies Unit		3650	189,943	47,462	
<b>Federal Program 15.678 Total</b>				<b>189,943</b>	<b>47,462</b>	
15.810	National Cooperative Geologic Mapping Program		3750	11,856	0	
15.810			3800	32,018	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.810	National Cooperative Geologic Mapping Program		4900	170,317		0
<b>Federal Program 15.810 Total</b>				<b>214,191</b>		<b>0</b>
15.814	National Geological and Geophysical Data Preservat		4900	5,986		0
<b>Federal Program 15.814 Total</b>				<b>5,986</b>		<b>0</b>
15.820	National and Regional Climate Adaptation Science C		3600	652,169	150,778	
15.820			3650	53,941		0
15.820		GS347A-A	4770	47,181		0 PT
<b>Federal Program 15.820 Total</b>				<b>753,291</b>	<b>150,778</b>	
15.904	Historic Preservation Fund Grants-in-Aid		3550	990,833	130,139	
<b>Federal Program 15.904 Total</b>				<b>990,833</b>	<b>130,139</b>	
15.916	Outdoor Recreation_Acquisition, Development and Pl		4670	738,573	709,347	
<b>Federal Program 15.916 Total</b>				<b>738,573</b>	<b>709,347</b>	
15.921	Rivers, Trails and Conservation Assistance		4050	47,925		0
<b>Federal Program 15.921 Total</b>				<b>47,925</b>		<b>0</b>
15.931	Conservation Activities By Youth Service Organizat		4610	267,347		0
<b>Federal Program 15.931 Total</b>				<b>267,347</b>		<b>0</b>
15.946	Cultural Resources Management		3600	4,066		0
<b>Federal Program 15.946 Total</b>				<b>4,066</b>		<b>0</b>
15.980	National Ground-Water Monitoring Network		4610	66,511		0
15.980			4900	30,387		0
<b>Federal Program 15.980 Total</b>				<b>96,898</b>		<b>0</b>
15.U01	Bia/Bie - Unknown CFDA Number	31201711	3650	87,667		0 PT
<b>Federal Program 15.U01 Total</b>				<b>87,667</b>		<b>0</b>
15.U02	Bia/Bie - Unknown CFDA Number	AGP000404	3650	(20,022)		0
<b>Federal Program 15.U02 Total</b>				<b>(20,022)</b>		<b>0</b>
15.U03	Bia/Bie - Unknown CFDA Number	C1711	3650	31,837		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 15.U03 Total</b>				<b>31,837</b>	<b>0</b>	
15.U04	Bia/Bie - Unknown CFDA Number	L14PX00535	3650	1,879	0	
<b>Federal Program 15.U04 Total</b>				<b>1,879</b>	<b>0</b>	
15.U05	Bia/Bie - Unknown CFDA Number	L17PX01753	3650	8,330	0	
<b>Federal Program 15.U05 Total</b>				<b>8,330</b>	<b>0</b>	
15.U06	Bia/Bie - Unknown CFDA Number	P17PX02522	3650	11,261	0	
<b>Federal Program 15.U06 Total</b>				<b>11,261</b>	<b>0</b>	
15.U07	Bia/Bie - Unknown CFDA Number	WSU003815	3650	5,245	0	PT
<b>Federal Program 15.U07 Total</b>				<b>5,245</b>	<b>0</b>	
15.U08	Bia/Bie - Unknown CFDA Number	WSU004079	3650	2,536	0	PT
<b>Federal Program 15.U08 Total</b>				<b>2,536</b>	<b>0</b>	
15.U09	Bia/Bie - Unknown CFDA Number	CONTR#140L4319F0125	3700	208	0	
<b>Federal Program 15.U09 Total</b>				<b>208</b>	<b>0</b>	
15.U17	Bia/Bie - Unknown CFDA Number	W911S817-2-0018	3760	118,874	0	
<b>Federal Program 15.U17 Total</b>				<b>118,874</b>	<b>0</b>	
<b>Dept of the Interior Total</b>				<b>28,605,655</b>	<b>4,925,936</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Justice**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
16.013	Violence Against Women Act Court Training and Impr		0550	261,506	0	
16.013			6990	71,180	0	
<b>Federal Program 16.013 Total</b>				<b>332,686</b>	<b>0</b>	
16.017	Sexual Assault Services Program		1030	449,731	430,362	
<b>Federal Program 16.017 Total</b>				<b>449,731</b>	<b>430,362</b>	
16.321	Antiterrorism Emergency Reserve		1030	29,111	29,111	
<b>Federal Program 16.321 Total</b>				<b>29,111</b>	<b>29,111</b>	
16.525	Grants to Reduce Domestic Violence, Dating Violence		3650	76,891	0	
16.525			6990	120,802	0	
<b>Federal Program 16.525 Total</b>				<b>197,693</b>	<b>0</b>	
16.540	Juvenile Justice and Delinquency Prevention_Alloca		3000	1,091,447	0	
16.540		20112013J0326108AM06	3600	6,117	0	PT
16.540			3650	46,281	0	
<b>Federal Program 16.540 Total</b>				<b>1,143,845</b>	<b>0</b>	
16.550	State Justice Statistics Program for Statistical A		1050	145,673	0	
<b>Federal Program 16.550 Total</b>				<b>145,673</b>	<b>0</b>	
16.554	National Criminal History Improvement Program (Nch		2250	534,435	175,136	
<b>Federal Program 16.554 Total</b>				<b>534,435</b>	<b>175,136</b>	
16.575	Crime Victim Assistance		1030	50,554,959	31,773,879	
<b>Federal Program 16.575 Total</b>				<b>50,554,959</b>	<b>31,773,879</b>	
16.576	Crime Victim Compensation		2350	1,590,000	0	
<b>Federal Program 16.576 Total</b>				<b>1,590,000</b>	<b>0</b>	
16.582	Crime Victim Assistance/Discretionary Grants		1030	154,938	146,964	
<b>Federal Program 16.582 Total</b>				<b>154,938</b>	<b>146,964</b>	
16.588	Violence Against Women - Form Grnts		1030	3,154,075	2,631,174	
16.588			6990	90,118	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Justice**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 16.588 Total</b>				<b>3,244,193</b>	<b>2,631,174</b>	
16.590	Grants to Encourage Arrest Policies and Enforcemen		1030	112,371	105,055	
<b>Federal Program 16.590 Total</b>				<b>112,371</b>	<b>105,055</b>	
16.593	Residential Substance Abuse Treatment for State Pr		1070	55,296	40,549	
<b>Federal Program 16.593 Total</b>				<b>55,296</b>	<b>40,549</b>	
16.710	Public Safety Partnership and Community Policing G		3650	(87)	0	
<b>Federal Program 16.710 Total</b>				<b>(87)</b>	<b>0</b>	
16.726	Juvenile Mentoring Program	2016JUF0022	3650	10,808	0	PT
<b>Federal Program 16.726 Total</b>				<b>10,808</b>	<b>0</b>	
16.738	Edward Byrne Memorial Justice Assistance Grant Pro		1030	297,573	79,582	
<b>Federal Program 16.738 Total</b>				<b>297,573</b>	<b>79,582</b>	
16.741	DNA Backlog Reduction Program		2250	1,359,610	23,849	
<b>Federal Program 16.741 Total</b>				<b>1,359,610</b>	<b>23,849</b>	
16.742	Paul Coverdell Forensic Sciences Improvement Grant		2250	186,775	107,400	
<b>Federal Program 16.742 Total</b>				<b>186,775</b>	<b>107,400</b>	
16.750	Support for ADAM Walsh Act Implementation Grant Pr		1030	44,701	0	
<b>Federal Program 16.750 Total</b>				<b>44,701</b>	<b>0</b>	
16.751	Edward Byrne Memorial Competitive Grant Program		1030	3,022	0	
<b>Federal Program 16.751 Total</b>				<b>3,022</b>	<b>0</b>	
16.754	Harold Rogers Prescription Drug Monitoring Program		3030	215,111	0	
<b>Federal Program 16.754 Total</b>				<b>215,111</b>	<b>0</b>	
16.827	Justice Reinvestment Initiative		3000	10,410	0	
<b>Federal Program 16.827 Total</b>				<b>10,410</b>	<b>0</b>	
16.833	National Sexual Assault Kit Initiative		1000	279,395	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Justice**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 16.833 Total</b>				<b>279,395</b>	<b>0</b>	
16.839	Stop School Violence		3500	155,418	155,418	
<b>Federal Program 16.839 Total</b>				<b>155,418</b>	<b>155,418</b>	
16.922	Equitable Sharing Program		1950	63,016	0	
16.922			2250	169,715	0	
16.922			3100	96,660	0	
<b>Federal Program 16.922 Total</b>				<b>329,391</b>	<b>0</b>	
16.U01	Justice - Unknown CFDA Number	K13677-MJ18	2250	277,509	74,056	
16.U01		K14192-MJ19	2250	55,814	0	
<b>Federal Program 16.U01 Total</b>				<b>333,323</b>	<b>74,056</b>	
16.U02	Justice - Unknown CFDA Number	2017JUF0016	3650	42,776	0	PT
<b>Federal Program 16.U02 Total</b>				<b>42,776</b>	<b>0</b>	
16.U03	Justice - Unknown CFDA Number	2018-JU-FX-0005	3650	18,433	0	PT
<b>Federal Program 16.U03 Total</b>				<b>18,433</b>	<b>0</b>	
<b>Dept of Justice Total</b>				<b>61,831,590</b>	<b>35,772,535</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Labor**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
17.002	Labor Force Statistics		5400	1,564,588	0	
	<b>Federal Program 17.002 Total</b>			<b>1,564,588</b>	<b>0</b>	
17.005	Compensation and Working Conditions		2350	153,138	0	
	<b>Federal Program 17.005 Total</b>			<b>153,138</b>	<b>0</b>	
17.225	Unemployment Insurance		5400	1,051,975,143	0	
	<b>Federal Program 17.225 Total</b>			<b>1,051,975,143</b>	<b>0</b>	
17.235	Senior Community Service Employment Program		3000	1,172,781	1,009,394	
	<b>Federal Program 17.235 Total</b>			<b>1,172,781</b>	<b>1,009,394</b>	
17.245	Trade Adjustment Assistance		5400	9,569,743	0	
	<b>Federal Program 17.245 Total</b>			<b>9,569,743</b>	<b>0</b>	
17.268	H-1B Job Training Grants		2350	950,910	787,906	
17.268			5400	86,693	0	
17.268			6990	2,414,070	0	
17.268		K3531	6990	91,893	0	PT
	<b>Federal Program 17.268 Total</b>			<b>3,543,566</b>	<b>787,906</b>	
17.271	Work Opportunity Tax Credit Program (WOTC)		5400	292,949	0	
	<b>Federal Program 17.271 Total</b>			<b>292,949</b>	<b>0</b>	
17.273	Temporary Labor Certification for Foreign Workers		5400	381,553	0	
	<b>Federal Program 17.273 Total</b>			<b>381,553</b>	<b>0</b>	
17.277	WIOA National Dislocated Worker Grants / WIA Natio		5400	565,401	56,666	
17.277		5117 Camo2Commerce K61	5400	5,069	0	PT
17.277		C2C-SSC-AP-P17	6990	100,676	0	PT
	<b>Federal Program 17.277 Total</b>			<b>671,146</b>	<b>56,666</b>	
17.280	WIOA Dislocated Worker National Reserve Demonstra		5400	1,005,978	986,256	
	<b>Federal Program 17.280 Total</b>			<b>1,005,978</b>	<b>986,256</b>	
17.282	Trade Adjustment Assist Comm College & Career Trng	WSU003779	3650	17,210	0	PT
17.282			6990	435,436	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.282	Trade Adjustment Assist Comm College & Career Trng	TC 26512-14-60-A-53	6990	53,083	0	PT
17.282		TC-26512-14-60-A-53	6990	33,864	0	PT
<b>Federal Program 17.282 Total</b>				<b>539,593</b>	<b>0</b>	
17.285	Apprenticeship Usa Grants		2350	1,145,172	630,501	
<b>Federal Program 17.285 Total</b>				<b>1,145,172</b>	<b>630,501</b>	
17.503	Occupational Safety &Health State Prog		2350	7,373,771	0	
<b>Federal Program 17.503 Total</b>				<b>7,373,771</b>	<b>0</b>	
17.600	Mine Health and Safety Grants		3700	197,257	0	
<b>Federal Program 17.600 Total</b>				<b>197,257</b>	<b>0</b>	
17.720	Disability Employment Policy Development		5400	179,288	0	
<b>Federal Program 17.720 Total</b>				<b>179,288</b>	<b>0</b>	
17.805	Homeless Veterans' Reintegration Program		3050	481,422	0	
<b>Federal Program 17.805 Total</b>				<b>481,422</b>	<b>0</b>	
<b>Dept of Labor Total</b>				<b>1,080,247,088</b>	<b>3,470,723</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of State**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
19.009	Academic Exchange Programs - Undergraduate Program		6990	7,151	0	
<b>Federal Program 19.009 Total</b>				<b>7,151</b>	<b>0</b>	
19.021	Investing in People in the Middle East and North A	S11SIZ10016CA008	3650	72,383	0	PT
19.021			3800	16,262	0	
<b>Federal Program 19.021 Total</b>				<b>88,645</b>	<b>0</b>	
19.029	The U.S. President's Emergency Plan for AIDS Relief	37188-1064 MOD06	3600	710,914	0	PT
19.029		37188-1088 MOD08	3600	461,965	0	PT
<b>Federal Program 19.029 Total</b>				<b>1,172,879</b>	<b>0</b>	
19.040	Public Diplomacy Programs	100K-274PE-13	3800	12,500	0	PT
<b>Federal Program 19.040 Total</b>				<b>12,500</b>	<b>0</b>	
19.703	Criminal Justice Systems		3600	2,151,184	0	
<b>Federal Program 19.703 Total</b>				<b>2,151,184</b>	<b>0</b>	
19.U01	State - Unknown CFDA Number	2000009724	3650	8,626	0	PT
<b>Federal Program 19.U01 Total</b>				<b>8,626</b>	<b>0</b>	
<b>Dept of State Total</b>				<b>3,440,985</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Transportation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
20.106	Airport Improvement Program		4050	3,517,363	0	
	<b>Federal Program 20.106 Total</b>			<b>3,517,363</b>	<b>0</b>	
20.215	Highway Training and Education		3600	11,178	0	
	<b>Federal Program 20.215 Total</b>			<b>11,178</b>	<b>0</b>	
20.218	Motor Carrier Safety Assistance		2250	6,136,263	85,000	
	<b>Federal Program 20.218 Total</b>			<b>6,136,263</b>	<b>85,000</b>	
20.232	Commercial Driver's License Program Improvement Gr		2400	106,908	0	
	<b>Federal Program 20.232 Total</b>			<b>106,908</b>	<b>0</b>	
20.237	Motor Carrier Safety Assistance High Priority Acti		2250	87,168	0	
	<b>Federal Program 20.237 Total</b>			<b>87,168</b>	<b>0</b>	
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Eff		2400	5,972	0	
	<b>Federal Program 20.240 Total</b>			<b>5,972</b>	<b>0</b>	
20.314	Railroad Development		4050	1,316	0	
	<b>Federal Program 20.314 Total</b>			<b>1,316</b>	<b>0</b>	
20.505	Metropolitan Transportation Planning and State and		4050	800,843	0	
	<b>Federal Program 20.505 Total</b>			<b>800,843</b>	<b>0</b>	
20.509	Formula Grants for Rural Areas		4050	12,554,128	9,541,137	
	<b>Federal Program 20.509 Total</b>			<b>12,554,128</b>	<b>9,541,137</b>	
20.528	Rail Fixed Guideway Public Transportation System S		4050	523,474	0	
	<b>Federal Program 20.528 Total</b>			<b>523,474</b>	<b>0</b>	
20.608	Minimum Penalties for Repeat Offenders for Driving		2280	1,143,423	1,143,423	
	<b>Federal Program 20.608 Total</b>			<b>1,143,423</b>	<b>1,143,423</b>	
20.700	Pipeline Safety Program Base Grants		2150	1,456,311	0	
	<b>Federal Program 20.700 Total</b>			<b>1,456,311</b>	<b>0</b>	
20.701	University Transportation Centers Program		3600	2,833,643	1,536,998	
20.701		17175AM03PTE69A355174	3600	50,111	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.701	University Transportation Centers Program	800007349-04UG	3600	45,859		0 PT
20.701		80000734904UG800094800	3600	81,117		0 PT
20.701		F8741-03 AM 01	3600	82,497		0 PT
20.701		F8741-03 AM 02	3600	100,978		0 PT
20.701		UAF18005469A3551747129	3600	293,375		0 PT
20.701		2016068804WSU	3650	146,298		0 PT
20.701		UAF140103	3650	70,255		0 PT
20.701		G227-17-W6460 AMEND 4	3700	240,166	64,203	PT
<b>Federal Program 20.701 Total</b>				<b>3,944,299</b>	<b>1,601,201</b>	
20.703	Interagency Hazardous Materials Public Sector Trai		2450	510,008	469,773	
<b>Federal Program 20.703 Total</b>				<b>510,008</b>	<b>469,773</b>	
20.933	National Infrastructure Investments		4050	2,275,835		0
<b>Federal Program 20.933 Total</b>				<b>2,275,835</b>	<b>0</b>	
20.U01	DOT - Unknown CFDA Number	DTNH2217H00153	2280	307,514		0
<b>Federal Program 20.U01 Total</b>				<b>307,514</b>	<b>0</b>	
20.U02	DOT - Unknown CFDA Number	45138519276	3650	155,156		0 PT
<b>Federal Program 20.U02 Total</b>				<b>155,156</b>	<b>0</b>	
<b>Dept of Transportation Total</b>				<b>33,537,159</b>	<b>12,840,534</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of the Treasury**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
21.008	Low Income Taxpayer Clinics		3600	98,507		0
<b>Federal Program 21.008 Total</b>				<b>98,507</b>		<b>0</b>
21.U01	Department of Treasury - Unknown CFDA Number	seizures	1170	31,402		0
<b>Federal Program 21.U01 Total</b>				<b>31,402</b>		<b>0</b>
<b>Dept of the Treasury Total</b>				<b>129,909</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**General Services Administration**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
39.003	Donation of Federal Surplus Personal Property		0850	944	0	NC
39.003			1030	1,236	0	NC
39.003			1050	1,267	0	NC
39.003			1790	4,336	0	NC
39.003			2270	321	0	NC
39.003			2350	3,434	0	NC
39.003			3000	2,068	0	NC
39.003			3050	4,627	0	NC
39.003			3070	270	0	NC
39.003			3100	2,503	0	NC
39.003			3600	1,919	0	NC
39.003			4050	5,980	0	NC
39.003			4610	1,519	0	NC
39.003			4650	371	0	NC
39.003			4770	9,069	0	NC
39.003			4900	3,020	0	NC
<b>Federal Program 39.003 Total</b>				<b>42,884</b>	<b>0</b>	
<b>General Services Administration Total</b>				<b>42,884</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Aeronautics & Space Admin**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science		3600	15,624,366	1,922,727	
43.001		102546 AM03	3600	93,834		0 PT
43.001		1552357MOD05PO1000454	3600	63,884		0 PT
43.001		1570694 MOD01	3600	2,208		0 PT
43.001		1572151 MOD02	3600	3,509		0 PT
43.001		1575878 MOD03	3600	20,702		0 PT
43.001		1612851	3600	21,032		0 PT
43.001		1614008 MOD01	3600	21,414		0 PT
43.001		1620701 MOD 1	3600	2,218		0 PT
43.001		1623976	3600	3,278		0 PT
43.001		1GG013115PTENNX17AH0	3600	45,354		0 PT
43.001		2017-3519 AM01	3600	52,447		0 PT
43.001		3004919118 AM02	3600	83,957		0 PT
43.001		366620 MOD01	3600	16,051		0 PT
43.001		408899 AM02	3600	22,860		0 PT
43.001		5111900	3600	21,913		0 PT
43.001		A101240 AM05	3600	125		0 PT
43.001		A101250 AM03	3600	142,939		0 PT
43.001		AR8-19006X	3600	20,792		0 PT
43.001		G05-16085X AM02	3600	14,834		0 PT
43.001		GK000716CON80000156A	3600	38,482		0 PT
43.001		GO7-18101A AM01	3600	14,488		0 PT
43.001		GO8-19090A	3600	22,167		0 PT
43.001		HST-AR-14283.001-A	3600	(23,623)		0 PT
43.001		HST-AR-14560.003-A	3600	737		0 PT
43.001		HST-AR-14563.002-A	3600	6,082		0 PT
43.001		HST-AR-14575.001-A	3600	5,358		0 PT
43.001		HST-AR-15020.007-A	3600	6,845		0 PT
43.001		HST-AR-15042.003-A	3600	7,392		0 PT
43.001		HST-GO-14610-001-A	3600	10,307		0 PT
43.001		HST-GO-14675.009-A	3600	21,450		0 PT
43.001		HST-GO-14779.001-A	3600	(11,056)		0 PT
43.001		HST-GO-14784.003-A	3600	68,744		0 PT
43.001		HST-GO-14786.001-A	3600	1,531		0 PT
43.001		HST-GO-14799.002-A	3600	9,918		0 PT
43.001		HST-GO-14912.002-A	3600	364		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Aeronautics & Space Admin**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
43.001	Science	HST-GO-15180.005-A	3600	4,938	0	PT
43.001		HST-GO-15216.004-A	3600	306	0	PT
43.001		HST-GO-15275.009-A	3600	16,605	0	PT
43.001		HST-GO-15293.008-A	3600	5,707	0	PT
43.001		HSTAR13882001AAM02	3600	11,819	0	PT
43.001		HSTAR13901005AAM03	3600	8,386	0	PT
43.001		HSTAR14288001AAM02	3600	1,141	0	PT
43.001		HSTAR14325001AAM01	3600	7,456	0	PT
43.001		HSTAR15013004AAM01	3600	1,176	0	PT
43.001		HSTAR15016002AAM02	3600	37,130	0	PT
43.001		HSTAR15046001AAM02	3600	39,835	0	PT
43.001		HSTGO13515002AAM02	3600	4,898	0	PT
43.001		HSTGO13659002AAM02	3600	15,317	0	PT
43.001		HSTGO13710002AAM02	3600	2,461	0	PT
43.001		HSTGO13768009AAM03	3600	11,819	0	PT
43.001		HSTGO14140006AAM01	3600	3,609	0	PT
43.001		HSTGO14173004AAM01	3600	5,678	0	PT
43.001		HSTGO15154001AAM03	3600	45,091	0	PT
43.001		HSTGO15314003AAM04	3600	17,472	0	PT
43.001		MA1314	3600	63,337	0	PT
43.001		MA1314 AM03	3600	13,824	0	PT
43.001		NASA0004-02 AM1	3600	67,532	0	PT
43.001		NWRA-17-S-191 MOD01	3600	41,482	0	PT
43.001		R1077 AM01	3600	9,858	0	PT
43.001		R160069PTENNX16AN35G	3600	144,561	0	PT
43.001		RE906-G1 AM02	3600	3,700	0	PT
43.001		RSA # 1589798 MOD01	3600	62,961	0	PT
43.001		RSA NO. 1578895 MOD01	3600	69,877	0	PT
43.001		SC 3365	3600	154,609	0	PT
43.001		SUBAWD000410 MOD01	3600	82,840	0	PT
43.001		UMS-965 AM05	3600	71,253	0	PT
43.001			3650	65,722	0	
43.001		1623611	3650	9,842	0	PT
43.001		19053	3650	7,624	0	PT
43.001		20019G02001335TA24	3650	(24)	0	PT
43.001		627619776	3650	(32)	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Aeronautics & Space Admin**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
43.001	Science	HSTG014141001A	3650	16,868	0	PT
43.001			3750	207,169	42,627	
43.001		BMSSA-002	3760	26,506	0	PT
43.001			3800	12,494	0	
43.001		15-710	3800	32,264	0	PT
43.001		1546127	3800	119,781	0	PT
43.001		NNX15AJ98HS000005	6990	3,236	0	PT
<b>Federal Program 43.001 Total</b>				<b>17,985,031</b>	<b>1,965,354</b>	
43.007	Space Operations		3600	4,569	0	
43.007			3650	113,452	34,307	
43.007		320000109817193	3650	55,458	0	PT
<b>Federal Program 43.007 Total</b>				<b>173,479</b>	<b>34,307</b>	
43.008	Education		3600	722,348	179,093	
<b>Federal Program 43.008 Total</b>				<b>722,348</b>	<b>179,093</b>	
43.012	Space Technology		3600	275,174	0	
43.012			3650	76,854	0	
<b>Federal Program 43.012 Total</b>				<b>352,028</b>	<b>0</b>	
43.U01	NASA - Unknown CFDA Number	1592973	3650	96,799	0	PT
<b>Federal Program 43.U01 Total</b>				<b>96,799</b>	<b>0</b>	
43.U02	NASA - Unknown CFDA Number	80NSSC19P0937	3650	38,465	0	
<b>Federal Program 43.U02 Total</b>				<b>38,465</b>	<b>0</b>	
43.U03	NASA - Unknown CFDA Number	HST-AR-13880.004-A	3700	33,990	0	PT
<b>Federal Program 43.U03 Total</b>				<b>33,990</b>	<b>0</b>	
43.U50	NASA - Unknown CFDA Number	052019AW	3870	13,600	0	PT
<b>Federal Program 43.U50 Total</b>				<b>13,600</b>	<b>0</b>	
<b>National Aeronautics &amp; Space Admin Total</b>				<b>19,415,740</b>	<b>2,178,754</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Foundation on the Arts and the Humanities**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
45.024	Promotion of the Arts Grants to Organizations and		3500	35,000	0	
45.024			3600	87,126	0	
45.024		21824	3750	6,490	0	PT
45.024			3760	49,893	0	
45.024		C16R12454CR16R	3760	60,646	0	PT
45.024			4650	18,014	0	
<b>Federal Program 45.024 Total</b>				<b>257,169</b>	<b>0</b>	
45.025	Promotion of the Arts Partnership Agreements		3870	895,102	0	
<b>Federal Program 45.025 Total</b>				<b>895,102</b>	<b>0</b>	
45.129	Promotion of the Humanities Federal/State Partners	4873GWSF17	3650	1,916	0	PT
<b>Federal Program 45.129 Total</b>				<b>1,916</b>	<b>0</b>	
45.130	Promotion of the Humanities Challenge Grants		3650	13,846	0	
<b>Federal Program 45.130 Total</b>				<b>13,846</b>	<b>0</b>	
45.149	Promotion of the Humanities Division of Preservati		0850	88,959	0	
45.149			3600	13,836	0	
45.149			3750	1,418	0	
<b>Federal Program 45.149 Total</b>				<b>104,213</b>	<b>0</b>	
45.160	Promotion of the Humanities Fellowships and Stipen		3600	4,247	0	
45.160			3650	357	0	
<b>Federal Program 45.160 Total</b>				<b>4,604</b>	<b>0</b>	
45.161	Promotion of the Humanities Research		6990	33,936	0	
<b>Federal Program 45.161 Total</b>				<b>33,936</b>	<b>0</b>	
45.164	Promotion of the Humanities Public Programs		3750	1,000	0	
<b>Federal Program 45.164 Total</b>				<b>1,000</b>	<b>0</b>	
45.301	Museums for America		3600	246,691	0	
45.301			3800	72,199	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Foundation on the Arts and the Humanities**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 45.301 Total</b>				<b>318,890</b>	<b>0</b>	
45.310	Grants to States		0850	3,083,332	93,470	
<b>Federal Program 45.310 Total</b>				<b>3,083,332</b>	<b>93,470</b>	
45.312	National Leadership Grants		3600	260,901	0	
45.312		MG-10-14-0006-14	3600	13,791	0	PT
45.312			3650	126,893	64,791	
<b>Federal Program 45.312 Total</b>				<b>401,585</b>	<b>64,791</b>	
45.313	Laura Bush 21ST Century Librarian Program		3600	204,366	2,994	
45.313		29375-04698-S01	3600	(14)	0	PT
45.313			3650	134,397	0	
45.313		96-17-0113-17	6990	12,951	0	PT
<b>Federal Program 45.313 Total</b>				<b>351,700</b>	<b>2,994</b>	
<b>National Foundation on the Arts and the Humanities Total</b>				<b>5,467,293</b>	<b>161,255</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
47.083	Office of Integrative Activities	PO 10561844 #88624292	3800	38,336	0	PT
<b>Federal Program 47.083 Total</b>				<b>38,336</b>	<b>0</b>	
47.U01	NSF - Unknown CFDA Number	1123272-390398	3650	30,181	0	PT
<b>Federal Program 47.U01 Total</b>				<b>30,181</b>	<b>0</b>	
47.U02	NSF - Unknown CFDA Number	1836038	3650	166,193	0	
<b>Federal Program 47.U02 Total</b>				<b>166,193</b>	<b>0</b>	
47.U03	NSF - Unknown CFDA Number	1933585	3650	35,855	0	
<b>Federal Program 47.U03 Total</b>				<b>35,855</b>	<b>0</b>	
<b>National Science Foundation Total</b>				<b>270,565</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Small Business Administration**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
59.037	Small Business Development Centers		3650	2,864,058	584,307	
<b>Federal Program 59.037 Total</b>				<b>2,864,058</b>	<b>584,307</b>	
59.061	State Trade Expansion		1030	731,680	323,578	
<b>Federal Program 59.061 Total</b>				<b>731,680</b>	<b>323,578</b>	
<b>Small Business Administration Total</b>				<b>3,595,738</b>	<b>907,885</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Department of Veterans Affairs**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
64.012	Veterans Prescription Service		3050	197,053	0	
	<b>Federal Program 64.012 Total</b>			<b>197,053</b>	<b>0</b>	
64.015	Veterans State Nursing Home Care		3050	36,598,665	0	
	<b>Federal Program 64.015 Total</b>			<b>36,598,665</b>	<b>0</b>	
64.024	VA Homeless Providers Grant and Per Diem Program		3050	1,065,221	0	
	<b>Federal Program 64.024 Total</b>			<b>1,065,221</b>	<b>0</b>	
64.027	ARRA - Post-9/11 Veterans Educational Assistance		6990	7,770	0	
	<b>Federal Program 64.027 Total</b>			<b>7,770</b>	<b>0</b>	
64.035	Veterans Transportation Program/Grants for Transp		3050	30,008	0	
	<b>Federal Program 64.035 Total</b>			<b>30,008</b>	<b>0</b>	
64.101	Burial Expenses Allowance for Veterans		3050	407,625	0	
	<b>Federal Program 64.101 Total</b>			<b>407,625</b>	<b>0</b>	
64.110	Veterans Dependency and Indemnity Compensation for		6990	5,025	0	
	<b>Federal Program 64.110 Total</b>			<b>5,025</b>	<b>0</b>	
64.115	Veterans Information and Assistance		3050	6,692	0	
	<b>Federal Program 64.115 Total</b>			<b>6,692</b>	<b>0</b>	
64.116	Vocational Rehabilitation for Disabled Veterans		6990	2,310	0	
	<b>Federal Program 64.116 Total</b>			<b>2,310</b>	<b>0</b>	
64.117	Survivors and Dependents Educational Assistance		6990	12,225	0	
	<b>Federal Program 64.117 Total</b>			<b>12,225</b>	<b>0</b>	
64.124	All-Volunteer Force Educational Assistance		3400	280,043	0	
64.124			3540	305,787	0	
64.124			6990	1,860	0	
	<b>Federal Program 64.124 Total</b>			<b>587,690</b>	<b>0</b>	
64.U01	VA - Unknown CFDA Number	x	6990	23,375	0	
	<b>Federal Program 64.U01 Total</b>			<b>23,375</b>	<b>0</b>	
	<b>Department of Veterans Affairs Total</b>			<b>38,943,659</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agency**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.032	State Indoor Radon Grants		3030	48,345		0
	<b>Federal Program 66.032 Total</b>			<b>48,345</b>		<b>0</b>
66.040	State Clean Diesel Grant Program		4610	138,348	128,190	
	<b>Federal Program 66.040 Total</b>			<b>138,348</b>	<b>128,190</b>	
66.123	Puget Sound Action Agenda: Technical Investigation		3030	3,656,408	2,080,988	
66.123			4050	25,355	0	
66.123			4610	6,625,772	3,619,524	
66.123			4770	4,413,645	0	
66.123			4780	1,530,633	652,810	
	<b>Federal Program 66.123 Total</b>			<b>16,251,813</b>	<b>6,353,322</b>	
66.203	Environmental Finance Center Grants	EPA EFC/E165,TASK#1,#2	3700	7,856	0	PT
	<b>Federal Program 66.203 Total</b>			<b>7,856</b>	<b>0</b>	
66.204	Multipurpose Grants to States and Tribes		4610	940	0	
	<b>Federal Program 66.204 Total</b>			<b>940</b>	<b>0</b>	
66.419	Water Pollution Control State, Interstate, and Tri		3030	272,688	0	
66.419			4610	175,630	0	
	<b>Federal Program 66.419 Total</b>			<b>448,318</b>	<b>0</b>	
66.432	State Public Water System Supervision		3030	2,247,957	0	
	<b>Federal Program 66.432 Total</b>			<b>2,247,957</b>	<b>0</b>	
66.454	Water Quality Management Planning		4610	305,666	0	
	<b>Federal Program 66.454 Total</b>			<b>305,666</b>	<b>0</b>	
66.456	National Estuary Program		4780	3,606,544	2,092,302	
	<b>Federal Program 66.456 Total</b>			<b>3,606,544</b>	<b>2,092,302</b>	
66.460	Nonpoint Source Implementation Grants		4610	2,625,491	1,193,526	
	<b>Federal Program 66.460 Total</b>			<b>2,625,491</b>	<b>1,193,526</b>	
66.461	Regional Wetland Program Development Grants		4610	82,950	0	
66.461			4900	51,104	0	
	<b>Federal Program 66.461 Total</b>			<b>134,054</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Environmental Protection Agency**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
66.469	Great Lakes Program	F-2017-133 AM02	3600	225,408	0	PT
	<b>Federal Program 66.469 Total</b>			<b>225,408</b>	<b>0</b>	
66.472	Beach Monitoring and Notification Program Implemen		4610	237,227	0	
	<b>Federal Program 66.472 Total</b>			<b>237,227</b>	<b>0</b>	
66.516	P3 Award: National Student Design Competition for		3600	2,260	0	
	<b>Federal Program 66.516 Total</b>			<b>2,260</b>	<b>0</b>	
66.605	Performance Partnership Grants		4610	8,876,484	1,799,305	
	<b>Federal Program 66.605 Total</b>			<b>8,876,484</b>	<b>1,799,305</b>	
66.608	Environmental Information Exchange Network Grant P		3030	134,472	49,758	
66.608			4610	187,199	0	
66.608			4670	152,955	106,811	
	<b>Federal Program 66.608 Total</b>			<b>474,626</b>	<b>156,569</b>	
66.700	Consolidated Pesticide Enforcement Cooperative Agr		4950	772,075	85,417	
	<b>Federal Program 66.700 Total</b>			<b>772,075</b>	<b>85,417</b>	
66.707	Tsca Title Iv State Lead Grants Certification of L		1030	391,316	0	
	<b>Federal Program 66.707 Total</b>			<b>391,316</b>	<b>0</b>	
66.708	Pollution Prevention Grants Program		4610	125,158	38,382	
	<b>Federal Program 66.708 Total</b>			<b>125,158</b>	<b>38,382</b>	
66.716	Research, Development, Monitoring, Public Educatio		3650	653,947	0	
66.716		SA201723	3650	304	0	PT
66.716		SA201916	3650	19,853	0	PT
	<b>Federal Program 66.716 Total</b>			<b>674,104</b>	<b>0</b>	
66.801	Hazardous Waste Management State Program Support		4610	1,175,285	0	
	<b>Federal Program 66.801 Total</b>			<b>1,175,285</b>	<b>0</b>	
66.802	Superfund State, Political Subdivision, and Indian		4610	519,990	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2019  
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**Federal Programs Not Clustered**

**Environmental Protection Agency**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 66.802 Total</b>				<b>519,990</b>	<b>0</b>	
66.804	Underground Storage Tank Prevention, Detection and		4610	442,000	0	
<b>Federal Program 66.804 Total</b>				<b>442,000</b>	<b>0</b>	
66.805	Leaking Underground Storage Tank Trust Fund Correc		4610	746,000	0	
<b>Federal Program 66.805 Total</b>				<b>746,000</b>	<b>0</b>	
66.809	Superfund State and Indian Tribe CORE Program Coop		4610	134,726	0	
<b>Federal Program 66.809 Total</b>				<b>134,726</b>	<b>0</b>	
66.817	State and Tribal Response Program Grants		4610	1,120,414	0	
<b>Federal Program 66.817 Total</b>				<b>1,120,414</b>	<b>0</b>	
66.951	Environmental Education Grants		3600	11,345	1,048	
66.951			3700	63,525	0	
66.951			6990	22,805	0	
<b>Federal Program 66.951 Total</b>				<b>97,675</b>	<b>1,048</b>	
<b>Environmental Protection Agency Total</b>				<b>41,830,080</b>	<b>11,848,061</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Nuclear Regulatory Commission**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
77.008	U.S. Nuclear Regulatory Commission Scholarship and		6990	61,668		0
<b>Federal Program 77.008 Total</b>				<b>61,668</b>		<b>0</b>
<b>Nuclear Regulatory Commission Total</b>				<b>61,668</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Energy**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
81.041	State Energy Program		1030	583,481	25,868	
<b>Federal Program 81.041 Total</b>				<b>583,481</b>	<b>25,868</b>	
81.042	Weatherization Assist - Low Inc		1030	5,027,048	4,313,534	
<b>Federal Program 81.042 Total</b>				<b>5,027,048</b>	<b>4,313,534</b>	
81.106	Transport of Transuranic Wastes to the Waste Isola	K14064-TW19	2250	103,338	0	PT
<b>Federal Program 81.106 Total</b>				<b>103,338</b>	<b>0</b>	
81.112	Stewardship Science Grant Program	M1803341 AM01	3600	60,839	0	PT
81.112		M1803341 AM02	3600	24,907	0	PT
81.112		UW638062	3600	28,484	0	PT
81.112			3650	7,752,183	1,207,316	
81.112		203186WSU	3650	306,841	0	PT
<b>Federal Program 81.112 Total</b>				<b>8,173,254</b>	<b>1,207,316</b>	
81.117	Energy Efficiency and Renewable Energy Information		1030	719,564	543,541	
81.117			3650	433,346	0	
<b>Federal Program 81.117 Total</b>				<b>1,152,910</b>	<b>543,541</b>	
81.121	Nuclear Energy Research, Development and Demonstra		3650	1,068,252	352,364	
81.121		0018	3650	58,783	0	PT
81.121		142120464294802	3650	53,205	0	PT
<b>Federal Program 81.121 Total</b>				<b>1,180,240</b>	<b>352,364</b>	
81.122	Electricity Delivery & Energy Research		3650	672,629	467,744	
81.122		20150660502	3650	248,708	0	PT
81.122		4012016A	3650	265,677	0	PT
81.122		S000872	3650	114,699	0	PT
81.122		WSU003625	3650	250,743	0	PT
<b>Federal Program 81.122 Total</b>				<b>1,552,456</b>	<b>467,744</b>	
81.124	Predictive Science Academic Alliance Program	202199UW AM07	3600	295,937	0	PT
<b>Federal Program 81.124 Total</b>				<b>295,937</b>	<b>0</b>	
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		3030	753,201	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 81.214 Total</b>				<b>753,201</b>	<b>0</b>	
81.U01	Energy - Unknown CFDA Number	0201.18.058065	4610	38,289		0 PT
<b>Federal Program 81.U01 Total</b>				<b>38,289</b>	<b>0</b>	
81.U02	Energy - Unknown CFDA Number	0201.19.061654	4610	45,214		0 PT
<b>Federal Program 81.U02 Total</b>				<b>45,214</b>	<b>0</b>	
81.U03	Energy - Unknown CFDA Number	BPA PROJ#1994-043-00	3700	758		0 PT
<b>Federal Program 81.U03 Total</b>				<b>758</b>	<b>0</b>	
81.U04	Energy - Unknown CFDA Number	BPA#200800700	3700	34,860		0 PT
<b>Federal Program 81.U04 Total</b>				<b>34,860</b>	<b>0</b>	
81.U05	Energy - Unknown CFDA Number	DEAC5207NA27344	3700	2,301		0 PT
<b>Federal Program 81.U05 Total</b>				<b>2,301</b>	<b>0</b>	
81.U22	Energy - Unknown CFDA Number	272	1030	1,978,034	1,658,546	
<b>Federal Program 81.U22 Total</b>				<b>1,978,034</b>	<b>1,658,546</b>	
81.U23	Energy - Unknown CFDA Number	118074	3650	182,856		0 PT
<b>Federal Program 81.U23 Total</b>				<b>182,856</b>	<b>0</b>	
81.U24	Energy - Unknown CFDA Number	1316643	3650	39,490		0 PT
<b>Federal Program 81.U24 Total</b>				<b>39,490</b>	<b>0</b>	
81.U26	Energy - Unknown CFDA Number	196561	3650	141,512		0 PT
<b>Federal Program 81.U26 Total</b>				<b>141,512</b>	<b>0</b>	
81.U27	Energy - Unknown CFDA Number	201931	3650	23,447		0 PT
<b>Federal Program 81.U27 Total</b>				<b>23,447</b>	<b>0</b>	
81.U28	Energy - Unknown CFDA Number	279434	3650	24,001		0 PT
<b>Federal Program 81.U28 Total</b>				<b>24,001</b>	<b>0</b>	
81.U29	Energy - Unknown CFDA Number	280452	3650	19,126		0 PT
<b>Federal Program 81.U29 Total</b>				<b>19,126</b>	<b>0</b>	
81.U30	Energy - Unknown CFDA Number	288470	3650	84,823		0 PT
<b>Federal Program 81.U30 Total</b>				<b>84,823</b>	<b>0</b>	
81.U31	Energy - Unknown CFDA Number	293252	3650	153,083		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 81.U31 Total</b>				<b>153,083</b>	<b>0</b>	
81.U32	Energy - Unknown CFDA Number	301164	3650	33,226	0	PT
<b>Federal Program 81.U32 Total</b>				<b>33,226</b>	<b>0</b>	
81.U33	Energy - Unknown CFDA Number	316309	3650	152,585	0	PT
<b>Federal Program 81.U33 Total</b>				<b>152,585</b>	<b>0</b>	
81.U34	Energy - Unknown CFDA Number	320972	3650	339,276	0	PT
<b>Federal Program 81.U34 Total</b>				<b>339,276</b>	<b>0</b>	
81.U35	Energy - Unknown CFDA Number	321180	3650	540,434	0	PT
<b>Federal Program 81.U35 Total</b>				<b>540,434</b>	<b>0</b>	
81.U36	Energy - Unknown CFDA Number	324880	3650	41,540	0	PT
<b>Federal Program 81.U36 Total</b>				<b>41,540</b>	<b>0</b>	
81.U37	Energy - Unknown CFDA Number	339057	3650	928	0	PT
<b>Federal Program 81.U37 Total</b>				<b>928</b>	<b>0</b>	
81.U39	Energy - Unknown CFDA Number	370358	3650	46,995	0	PT
<b>Federal Program 81.U39 Total</b>				<b>46,995</b>	<b>0</b>	
81.U40	Energy - Unknown CFDA Number	381667	3650	47,433	0	PT
81.U40		404827	3650	45,257	0	PT
<b>Federal Program 81.U40 Total</b>				<b>92,690</b>	<b>0</b>	
81.U41	Energy - Unknown CFDA Number	386586	3650	36,090	0	PT
81.U41		407930	3650	179,715	0	PT
<b>Federal Program 81.U41 Total</b>				<b>215,805</b>	<b>0</b>	
81.U42	Energy - Unknown CFDA Number	388260	3650	13,636	0	PT
81.U42		408704	3650	15,306	0	PT
<b>Federal Program 81.U42 Total</b>				<b>28,942</b>	<b>0</b>	
81.U43	Energy - Unknown CFDA Number	391108	3650	6,396	0	PT
81.U43		413678	3650	47,599	0	PT
<b>Federal Program 81.U43 Total</b>				<b>53,995</b>	<b>0</b>	
81.U44	Energy - Unknown CFDA Number	392542	3650	22,145	0	PT
81.U44		413741	3650	2,479	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Energy**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 81.U44 Total</b>				<b>24,624</b>	<b>0</b>	
81.U45	Energy - Unknown CFDA Number	395677	3650	9,579	0	PT
81.U45		414836	3650	36,452	0	PT
<b>Federal Program 81.U45 Total</b>				<b>46,031</b>	<b>0</b>	
81.U46	Energy - Unknown CFDA Number	398382	3650	21,800	0	PT
81.U46		417435	3650	29,823	0	PT
<b>Federal Program 81.U46 Total</b>				<b>51,623</b>	<b>0</b>	
81.U47	Energy - Unknown CFDA Number	398507	3650	31,480	0	PT
81.U47		426011	3650	38,588	0	PT
<b>Federal Program 81.U47 Total</b>				<b>70,068</b>	<b>0</b>	
81.U48	Energy - Unknown CFDA Number	4000149261	3650	19,926	0	PT
81.U48		432041	3650	276,815	0	PT
<b>Federal Program 81.U48 Total</b>				<b>296,741</b>	<b>0</b>	
81.U49	Energy - Unknown CFDA Number	4000159936	3650	45,142	0	PT
81.U49		432188	3650	18,459	0	PT
<b>Federal Program 81.U49 Total</b>				<b>63,601</b>	<b>0</b>	
81.U50	Energy - Unknown CFDA Number	404320	3650	149,398	0	PT
81.U50		432570	3650	35,780	0	PT
<b>Federal Program 81.U50 Total</b>				<b>185,178</b>	<b>0</b>	
81.U51	Energy - Unknown CFDA Number	438660	3650	52,706	0	PT
<b>Federal Program 81.U51 Total</b>				<b>52,706</b>	<b>0</b>	
81.U52	Energy - Unknown CFDA Number	439216	3650	5,118	0	PT
<b>Federal Program 81.U52 Total</b>				<b>5,118</b>	<b>0</b>	
81.U53	Energy - Unknown CFDA Number	439940	3650	19,802	0	PT
<b>Federal Program 81.U53 Total</b>				<b>19,802</b>	<b>0</b>	
81.U54	Energy - Unknown CFDA Number	440033	3650	796	0	PT
<b>Federal Program 81.U54 Total</b>				<b>796</b>	<b>0</b>	
81.U55	Energy - Unknown CFDA Number	444041	3650	24,818	0	PT
<b>Federal Program 81.U55 Total</b>				<b>24,818</b>	<b>0</b>	
81.U56	Energy - Unknown CFDA Number	444059	3650	68,318	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 81.U56 Total</b>				<b>68,318</b>	<b>0</b>	
81.U57	Energy - Unknown CFDA Number	449807	3650	10,863	0	PT
<b>Federal Program 81.U57 Total</b>				<b>10,863</b>	<b>0</b>	
81.U58	Energy - Unknown CFDA Number	454204	3650	11,823	0	PT
<b>Federal Program 81.U58 Total</b>				<b>11,823</b>	<b>0</b>	
81.U59	Energy - Unknown CFDA Number	51419	3650	5,988	0	PT
<b>Federal Program 81.U59 Total</b>				<b>5,988</b>	<b>0</b>	
81.U60	Energy - Unknown CFDA Number	56682	3650	252,974	0	PT
<b>Federal Program 81.U60 Total</b>				<b>252,974</b>	<b>0</b>	
81.U61	Energy - Unknown CFDA Number	62937	3650	4,665	0	PT
<b>Federal Program 81.U61 Total</b>				<b>4,665</b>	<b>0</b>	
81.U63	Energy - Unknown CFDA Number	64878	3650	12,451	0	PT
<b>Federal Program 81.U63 Total</b>				<b>12,451</b>	<b>0</b>	
81.U64	Energy - Unknown CFDA Number	64928	3650	157,590	0	PT
<b>Federal Program 81.U64 Total</b>				<b>157,590</b>	<b>0</b>	
81.U65	Energy - Unknown CFDA Number	69262	3650	5,009	0	PT
<b>Federal Program 81.U65 Total</b>				<b>5,009</b>	<b>0</b>	
81.U66	Energy - Unknown CFDA Number	69321	3650	3,716	0	PT
<b>Federal Program 81.U66 Total</b>				<b>3,716</b>	<b>0</b>	
81.U67	Energy - Unknown CFDA Number	6F32142	3650	196,054	0	PT
<b>Federal Program 81.U67 Total</b>				<b>196,054</b>	<b>0</b>	
81.U68	Energy - Unknown CFDA Number	71419	3650	383,667	142,675	
<b>Federal Program 81.U68 Total</b>				<b>383,667</b>	<b>142,675</b>	
81.U70	Energy - Unknown CFDA Number	81689	3650	1,681	0	
<b>Federal Program 81.U70 Total</b>				<b>1,681</b>	<b>0</b>	
81.U71	Energy - Unknown CFDA Number	AEV65205401	3650	5,371	0	PT
<b>Federal Program 81.U71 Total</b>				<b>5,371</b>	<b>0</b>	
81.U72	Energy - Unknown CFDA Number	AGJ66217901	3650	249	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 81.U72 Total</b>				<b>249</b>	<b>0</b>	
81.U73	Energy - Unknown CFDA Number	B626049	3650	58,752	0	PT
<b>Federal Program 81.U73 Total</b>				<b>58,752</b>	<b>0</b>	
81.U75	Energy - Unknown CFDA Number	C18290	3650	6,089	0	PT
<b>Federal Program 81.U75 Total</b>				<b>6,089</b>	<b>0</b>	
81.U76	Energy - Unknown CFDA Number	DEHS0000073	3650	290,056	0	
<b>Federal Program 81.U76 Total</b>				<b>290,056</b>	<b>0</b>	
81.U77	Energy - Unknown CFDA Number	ER20259	3650	122,504	0	
<b>Federal Program 81.U77 Total</b>				<b>122,504</b>	<b>0</b>	
81.U78	Energy - Unknown CFDA Number	PO5000221001	3650	3,600	0	PT
<b>Federal Program 81.U78 Total</b>				<b>3,600</b>	<b>0</b>	
81.U79	Energy - Unknown CFDA Number	SC0017923	3650	171,043	0	
<b>Federal Program 81.U79 Total</b>				<b>171,043</b>	<b>0</b>	
81.U80	Energy - Unknown CFDA Number	XFC87033101	3650	40,137	0	PT
<b>Federal Program 81.U80 Total</b>				<b>40,137</b>	<b>0</b>	
81.U81	Energy - Unknown CFDA Number	XGB22220401	3650	870	0	PT
<b>Federal Program 81.U81 Total</b>				<b>870</b>	<b>0</b>	
81.U82	Energy - Unknown CFDA Number	XGJ66218401	3650	109,026	0	PT
<b>Federal Program 81.U82 Total</b>				<b>109,026</b>	<b>0</b>	
<b>Dept of Energy Total</b>				<b>25,899,677</b>	<b>8,711,588</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Education**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
84.002	Adult Education - Basic Grants to States		6990	9,495,652	0	
	<b>Federal Program 84.002 Total</b>			<b>9,495,652</b>	<b>0</b>	
84.010	Title I Grants to Local Educational Agencies		3500	218,475,812	212,916,928	
	<b>Federal Program 84.010 Total</b>			<b>218,475,812</b>	<b>212,916,928</b>	
84.011	Migrant Education_State Grant Program		3500	21,105,729	14,217,403	
	<b>Federal Program 84.011 Total</b>			<b>21,105,729</b>	<b>14,217,403</b>	
84.013	Title I State Agency Program for Neglected and DEL		3500	2,191,280	2,171,572	
	<b>Federal Program 84.013 Total</b>			<b>2,191,280</b>	<b>2,171,572</b>	
84.015	National Resource Centers Program for Foreign Lang		3600	3,111,872	90,753	
	<b>Federal Program 84.015 Total</b>			<b>3,111,872</b>	<b>90,753</b>	
84.016	Undergraduate International Studies and Foreign La		6990	24,121	0	
	<b>Federal Program 84.016 Total</b>			<b>24,121</b>	<b>0</b>	
84.031	Higher Education_Institutional Aid	A135368	3600	24,443	0	PT
84.031		A139002 AM02	3600	62,873	0	PT
84.031			6990	7,383,268	0	
84.031		P031S130053	6990	78,134	0	PT
	<b>Federal Program 84.031 Total</b>			<b>7,548,718</b>	<b>0</b>	
84.048	Career and Technical Education -- Basic Grants to		3540	19,854,028	8,171,743	
	<b>Federal Program 84.048 Total</b>			<b>19,854,028</b>	<b>8,171,743</b>	
84.101	Career and Technical Education - Indian Set-Aside	18190309ESA	6990	123,060	0	PT
	<b>Federal Program 84.101 Total</b>			<b>123,060</b>	<b>0</b>	
84.116	Fund for the Improvement of Postsecondary Educatio		6990	246,852	0	
	<b>Federal Program 84.116 Total</b>			<b>246,852</b>	<b>0</b>	
84.126	Rehabilitation Services Vocational Rehabilitation		3000	46,999,908	0	
84.126			3150	9,741,554	0	
84.126		1761-10163	6990	168,072	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 84.126 Total</b>				<b>56,909,534</b>	<b>0</b>	
84.129	Rehabilitation Long-Term Training		3800	144,843	0	
<b>Federal Program 84.129 Total</b>				<b>144,843</b>	<b>0</b>	
84.141	Migrant Education_High School Equivalency Program		3650	448,169	0	
84.141			3750	444,291	0	
84.141			6990	423,119	0	
<b>Federal Program 84.141 Total</b>				<b>1,315,579</b>	<b>0</b>	
84.144	Migrant Education_Coordination Program		3500	43,948	0	
<b>Federal Program 84.144 Total</b>				<b>43,948</b>	<b>0</b>	
84.149	Migrant Education_College Assistance Migrant Progr		3600	401,792	0	
84.149			3650	414,579	0	
84.149			3700	417,657	0	
84.149			3750	444,624	0	
84.149			6990	928,637	0	
<b>Federal Program 84.149 Total</b>				<b>2,607,289</b>	<b>0</b>	
84.177	Rehabilitation Services Independent Living Service		3150	796,304	796,304	
<b>Federal Program 84.177 Total</b>				<b>796,304</b>	<b>796,304</b>	
84.181	Special Education-Grants for Infants and Families		3070	8,914,288	6,567,782	
<b>Federal Program 84.181 Total</b>				<b>8,914,288</b>	<b>6,567,782</b>	
84.184	School Safety National Activities (Formerly, Safe		3500	113,732	0	
<b>Federal Program 84.184 Total</b>				<b>113,732</b>	<b>0</b>	
84.187	Supported Employment Services for Individuals With		3000	411,422	0	
84.187			3150	(2,281)	0	
<b>Federal Program 84.187 Total</b>				<b>409,141</b>	<b>0</b>	
84.196	Education for Homeless Children and Youth		3500	1,128,801	841,864	
<b>Federal Program 84.196 Total</b>				<b>1,128,801</b>	<b>841,864</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.200	Graduate Assistance in Areas of National Need		3650	151,004	0	
<b>Federal Program 84.200 Total</b>				<b>151,004</b>	<b>0</b>	
84.206	Javits Gifted and Talented Students Education Gran		3500	167,379	16,368	
84.206		35788-01	3600	10,000	0	PT
<b>Federal Program 84.206 Total</b>				<b>177,379</b>	<b>16,368</b>	
84.264	Rehabilitation Training_Continuing Education	B000271345 AM06	3600	209,489	0	PT
84.264		SA0000624 AM01	3600	91,759	0	PT
<b>Federal Program 84.264 Total</b>				<b>301,248</b>	<b>0</b>	
84.282	Charter Schools		3500	2,204,403	2,111,622	
<b>Federal Program 84.282 Total</b>				<b>2,204,403</b>	<b>2,111,622</b>	
84.287	Twenty-First Century Community Learning Centers		3500	17,176,229	16,321,912	
<b>Federal Program 84.287 Total</b>				<b>17,176,229</b>	<b>16,321,912</b>	
84.299	Indian Education -- Special Programs for Indian Ch		3650	147,588	0	
<b>Federal Program 84.299 Total</b>				<b>147,588</b>	<b>0</b>	
84.315	Capacity Building for Traditionally Underserved PO	NWIC-21060-SA-M01	3800	149,349	0	PT
<b>Federal Program 84.315 Total</b>				<b>149,349</b>	<b>0</b>	
84.325	Special Education - Personnel Development to Impro		3600	1,025,852	12,403	
<b>Federal Program 84.325 Total</b>				<b>1,025,852</b>	<b>12,403</b>	
84.326	Special Education_Technical Assistance and Dissemi		3500	195,951	195,951	
<b>Federal Program 84.326 Total</b>				<b>195,951</b>	<b>195,951</b>	
84.327	Special Education Educational Technology Media, An		3600	290,368	0	
<b>Federal Program 84.327 Total</b>				<b>290,368</b>	<b>0</b>	
84.334	Gaining Early Awareness and Readiness for Undergra		3400	3,997,164	2,572,953	
84.334			3600	7,884,603	5,339,800	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.334	Gaining Early Awareness and Readiness for Undergra		3650	6,530,702	596,436	
84.334			3750	2,812,904	453,450	
<b>Federal Program 84.334 Total</b>				<b>21,225,373</b>	<b>8,962,639</b>	
84.335	Child Care Access Means Parents in School		3650	140,794	0	
84.335			6990	344,561	0	
<b>Federal Program 84.335 Total</b>				<b>485,355</b>	<b>0</b>	
84.358	Rural Education		3500	1,446,642	1,371,852	
<b>Federal Program 84.358 Total</b>				<b>1,446,642</b>	<b>1,371,852</b>	
84.365	English Language Acquisition State Grants		3500	17,788,235	16,911,102	
84.365			3600	974,404	31,402	
84.365			3650	453,099	0	
<b>Federal Program 84.365 Total</b>				<b>19,215,738</b>	<b>16,942,504</b>	
84.366	Mathematics and Science Partnerships		3500	585,008	574,774	
84.366		10268 AM01	3600	16,938	0	PT
84.366		PO #7500075765	3600	34,352	0	PT
84.366		7008000149	3650	1,649	0	PT
<b>Federal Program 84.366 Total</b>				<b>637,947</b>	<b>574,774</b>	
84.367	Supporting Effective Instruction State Grant (Form		3400	120,454	105,540	
84.367			3500	34,333,191	32,843,037	
84.367		7008000150	3650	5,703	0	PT
84.367		7008000151	3650	1,494	0	PT
84.367		WSU003842	3650	2,870	0	PT
84.367		92-WA02-SEED2017CRWP	3750	1,887	0	PT
<b>Federal Program 84.367 Total</b>				<b>34,465,599</b>	<b>32,948,577</b>	
84.369	Grants for State Assessments and Related Activitie		3500	8,583,943	0	
<b>Federal Program 84.369 Total</b>				<b>8,583,943</b>	<b>0</b>	
84.372	Statewide Longitudinal Data Systems		3500	1,094,189	0	
<b>Federal Program 84.372 Total</b>				<b>1,094,189</b>	<b>0</b>	
84.377	School Improvement Grants		3500	2,198,066	2,097,813	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 84.377 Total</b>				<b>2,198,066</b>	<b>2,097,813</b>	
84.382	Strengthening Minority-Serving Institutions		6990	335,115	0	
<b>Federal Program 84.382 Total</b>				<b>335,115</b>	<b>0</b>	
84.397	ARRA - Sfsf - Government Services		3800	28,071	0	
<b>Federal Program 84.397 Total</b>				<b>28,071</b>	<b>0</b>	
84.407	Transition Programs for Students W/Intellectual DI		6990	337,368	0	
<b>Federal Program 84.407 Total</b>				<b>337,368</b>	<b>0</b>	
84.411	Education Innovation and Research (Formerly Invest	92-WA02-2017I3AI	3750	265	0	PT
84.411		92-WA02-2018I3WP	3750	45,131	0	PT
84.411		92-WA02-2019I3WP	3750	433	0	PT
<b>Federal Program 84.411 Total</b>				<b>45,829</b>	<b>0</b>	
84.412	Race to the Top - Early Learning Challenge	Quality Award	6990	505	0	PT
<b>Federal Program 84.412 Total</b>				<b>505</b>	<b>0</b>	
84.424	Student Support and Academic Enrichment Program		3500	9,815,147	9,480,764	
<b>Federal Program 84.424 Total</b>				<b>9,815,147</b>	<b>9,480,764</b>	
<b>Dept of Education Total</b>				<b>476,294,841</b>	<b>336,811,528</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Miscellaneous Commissions**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
90.401	Help America Vote Act Requirements Payments		0850	4,310,991		0
<b>Federal Program 90.401 Total</b>				<b>4,310,991</b>		<b>0</b>
<b>Miscellaneous Commissions Total</b>				<b>4,310,991</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.041	Special Programs for the Aging_ Title VII, Chapter		3000	79,601	60,693	
<b>Federal Program 93.041 Total</b>				<b>79,601</b>	<b>60,693</b>	
93.042	Special Programs for the Aging_ Title VII, Chapter		3000	363,290	0	
<b>Federal Program 93.042 Total</b>				<b>363,290</b>	<b>0</b>	
93.043	Special Programs for the Aging_ Title III, Part D_D		3000	467,696	467,696	
<b>Federal Program 93.043 Total</b>				<b>467,696</b>	<b>467,696</b>	
93.048	Special Programs for the Aging Title Iv and Title		1600	295,223	0	
93.048			3000	229,055	122,532	
<b>Federal Program 93.048 Total</b>				<b>524,278</b>	<b>122,532</b>	
93.051	Alzheimer's Disease Demonstration Grants to States		3000	5,073	2,514	
<b>Federal Program 93.051 Total</b>				<b>5,073</b>	<b>2,514</b>	
93.052	National Family Caregiver Support, Title III, Part		3000	3,288,811	3,120,550	
<b>Federal Program 93.052 Total</b>				<b>3,288,811</b>	<b>3,120,550</b>	
93.059	Training in General, Pediatric, and Public Health		3600	267,644	0	
<b>Federal Program 93.059 Total</b>				<b>267,644</b>	<b>0</b>	
93.067	Global AIDS		3600	57,350,966	25,936,369	
93.067		002-05 AM 005	3600	6,669	0	PT
93.067		002-05 AM 006	3600	45,552	0	PT
93.067		10524SC AM02	3600	55,448	0	PT
93.067		16-SBA-017 MOD03	3600	131,555	0	PT
93.067		1802524POSR00005142AM	3600	209,919	0	PT
93.067		217708-ITECH-002	3600	252,041	0	PT
93.067		217708-ITECH-003	3600	2,509	0	PT
93.067		217708-ITECH-003 AM01	3600	80,249	0	PT
93.067		8818SC AM05	3600	194,910	43,379	PT
93.067		A128204 AM01	3600	12,599	0	PT
93.067		CDC-RFA-GH13-1322	3600	479,296	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.067	Global AIDS	CON/CONS/2017/050	3600	60,855	0	PT
93.067		FPPMTCT5NU2GGH00195	3600	8,457	0	PT
93.067		NU2GGH002034- YEAR: 2	3600	215,787	0	PT
93.067		OPTION B+ 001	3600	36,548	0	PT
93.067		OPTIONBPRIME5NU2GG	3600	200,543	0	PT
93.067		PRIME	3600	45,132	0	PT
<b>Federal Program 93.067 Total</b>				<b>59,389,035</b>	<b>25,979,748</b>	
93.069	Public Health Emergency Preparedness		3030	12,458,042	6,798,490	
<b>Federal Program 93.069 Total</b>				<b>12,458,042</b>	<b>6,798,490</b>	
93.070	Environmental Public Health and Emergency Response		3030	908,260	0	
<b>Federal Program 93.070 Total</b>				<b>908,260</b>	<b>0</b>	
93.071	Medicare Enrollment Assistance Program		1600	143,148	0	
93.071			3000	214,658	148,583	
<b>Federal Program 93.071 Total</b>				<b>357,806</b>	<b>148,583</b>	
93.072	Lifespan Respite Care Program		3000	267,684	33,503	
<b>Federal Program 93.072 Total</b>				<b>267,684</b>	<b>33,503</b>	
93.079	Cooperative Agreements to Promote Adolescent Health		3500	93,810	5,091	
<b>Federal Program 93.079 Total</b>				<b>93,810</b>	<b>5,091</b>	
93.082	Sodium Reduction in Communities	1171 CDIP AM02	3600	41,225	0	PT
93.082		1171 CDIP AM03	3600	68,328	0	PT
<b>Federal Program 93.082 Total</b>				<b>109,553</b>	<b>0</b>	
93.084	Prevention of Disease, Disability, and Death By in	A061640 AM06	3600	148,698	0	PT
93.084		T853454 MOD05	3600	46,154	0	PT
93.084			3650	571,092	119,656	
<b>Federal Program 93.084 Total</b>				<b>765,944</b>	<b>119,656</b>	
93.086	Healthy Marriage Promotion and Responsible Fatherh		3100	1,745,114	0	
93.086			3600	6,959	0	
<b>Federal Program 93.086 Total</b>				<b>1,752,073</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.090	Guardianship Assistance		3070	1,406,675	0	
<b>Federal Program 93.090 Total</b>				<b>1,406,675</b>	<b>0</b>	
93.092	Affordable Care Act Personal Resp. Ed Program		3030	840,933	663,472	
<b>Federal Program 93.092 Total</b>				<b>840,933</b>	<b>663,472</b>	
93.093	Affordable Care Act Health Profession Opportunity		6990	3,490,180	0	
<b>Federal Program 93.093 Total</b>				<b>3,490,180</b>	<b>0</b>	
93.103	Food and Drug Administration_Research		3030	203,228	0	
93.103		0546266099	3030	640	0	PT
93.103		0546509529	3030	19,133	0	PT
<b>Federal Program 93.103 Total</b>				<b>223,001</b>	<b>0</b>	
93.104	Comprehensive Community Mental Health Services for		1070	277,998	0	
<b>Federal Program 93.104 Total</b>				<b>277,998</b>	<b>0</b>	
93.107	Area Health Education Centers Point of Service Mai		3600	559,326	409,092	
<b>Federal Program 93.107 Total</b>				<b>559,326</b>	<b>409,092</b>	
93.110	Maternal and Child Health Federal Consolidated Pro		3030	533,590	222,047	
93.110		0546173001	3030	4,497	0	PT
93.110		0546509518	3030	875	0	PT
93.110			3600	2,405,140	378,040	
93.110		1920 G RA028 AM04	3600	(25)	0	PT
93.110		1920 G WA101	3600	21,060	0	PT
93.110		807958.UW.18.1 AM01	3600	2,424	0	PT
93.110		GB10656.PO #2121838	3600	7,618	0	PT
<b>Federal Program 93.110 Total</b>				<b>2,975,179</b>	<b>600,087</b>	
93.116	Project Grants and Cooperative Agreements for Tube		3030	1,736,317	831,748	
<b>Federal Program 93.116 Total</b>				<b>1,736,317</b>	<b>831,748</b>	
93.127	Emergency Medical Services for Children		3030	113,046	4,500	
<b>Federal Program 93.127 Total</b>				<b>113,046</b>	<b>4,500</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.130	Cooperative Agreements to States/Territories for T		3030	205,446		0
<b>Federal Program 93.130 Total</b>				<b>205,446</b>		<b>0</b>
93.136	Injury Prevention and Control Research and State A		3030	4,847,861		859,998
<b>Federal Program 93.136 Total</b>				<b>4,847,861</b>		<b>859,998</b>
93.137	Community Programs to Improve Minority Health Gran		3600	418,994		0
<b>Federal Program 93.137 Total</b>				<b>418,994</b>		<b>0</b>
93.145	HIV-Related Training and Technical Assistance		3600	3,406,936		2,292,583
93.145		0218 MOD01	3600	21,060		0 PT
93.145		0543	3600	199,041		0 PT
93.145		5849-01	3600	12,951		0 PT
93.145		5849-02	3600	31,784		0 PT
<b>Federal Program 93.145 Total</b>				<b>3,671,772</b>		<b>2,292,583</b>
93.150	Projects for Assistance in Transition From Homeles		1070	1,349,371		461,571
93.150			3000	2		0
<b>Federal Program 93.150 Total</b>				<b>1,349,373</b>		<b>461,571</b>
93.153	Coordinated Services and Access to Research for Wo	PRIME: H12HA28849	3600	6,932		0 PT
93.153		UW633063	3600	64,773		0 PT
<b>Federal Program 93.153 Total</b>				<b>71,705</b>		<b>0</b>
93.161	Health Program for Toxic Substances and Disease Re	U61TS000238-R10-04	3600	40,654		0 PT
93.161		U61TS000238-R10-05	3600	57,338		0 PT
93.161		U61TS000238-R10-05	3600	121,684		1,634 PT
<b>Federal Program 93.161 Total</b>				<b>219,676</b>		<b>1,634</b>
93.165	Grants to States for Loan Repayment Program		3400	515,646		0
<b>Federal Program 93.165 Total</b>				<b>515,646</b>		<b>0</b>
93.178	Nursing Workforce Diversity		3650	(12,039)		0
<b>Federal Program 93.178 Total</b>				<b>(12,039)</b>		<b>0</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.191	Graduate Psychology Education Program and Patient		3600	325,786	2,042	
<b>Federal Program 93.191 Total</b>				<b>325,786</b>	<b>2,042</b>	
93.197	Childhood Lead Poisoning Prevention Projects State		3030	391,951	0	
93.197		158689	3600	15,032	0	PT
93.197		3181 EHS AM01	3600	22,968	0	PT
<b>Federal Program 93.197 Total</b>				<b>429,951</b>	<b>0</b>	
93.211	Telehealth Programs	5112962	3600	68,347	0	PT
<b>Federal Program 93.211 Total</b>				<b>68,347</b>	<b>0</b>	
93.217	Family Planning_Services		3030	4,761,088	3,968,202	
<b>Federal Program 93.217 Total</b>				<b>4,761,088</b>	<b>3,968,202</b>	
93.236	Grants to States to Support Oral Health Workforce		3030	317,710	248,700	
93.236		17-07-5-01-069-0 AM02	3600	12,558	0	PT
93.236		19-07-5-01-069-0	3600	78,238	0	PT
<b>Federal Program 93.236 Total</b>				<b>408,506</b>	<b>248,700</b>	
93.241	State Rural Hospital Flexibility Program		3030	648,844	121,100	
<b>Federal Program 93.241 Total</b>				<b>648,844</b>	<b>121,100</b>	
93.243	Substance Abuse and Mental Health Services_Project		1070	5,835,168	1,284,547	
93.243			3000	3	0	
93.243			3030	1,261,095	755,557	
93.243		0546804899	3030	160,470	158,567	PT
93.243			3500	1,965,661	1,674,195	
93.243			3600	1,867,748	172,860	
93.243		176076 AM01	3600	10,930	0	PT
93.243		AM02	3600	6,786	0	PT
93.243		UW638667	3600	2,879	0	PT
93.243		UW807200	3600	15,858	0	PT
93.243			3650	252,747	16,371	
93.243			3700	65,121	0	
<b>Federal Program 93.243 Total</b>				<b>11,444,466</b>	<b>4,062,097</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.247	Advanced Nursing Education Grant Program		3600	999,686	0	
93.247			3650	747,429	152,178	
<b>Federal Program 93.247 Total</b>				<b>1,747,115</b>	<b>152,178</b>	
93.251	Universal Newborn Hearing Screening		3030	301,087	78,293	
<b>Federal Program 93.251 Total</b>				<b>301,087</b>	<b>78,293</b>	
93.266	Health Systems Strengthening and HIV/AIDS Preventi		3600	18,993,071	2,036,554	
<b>Federal Program 93.266 Total</b>				<b>18,993,071</b>	<b>2,036,554</b>	
93.268	Immunization Cooperative Agreements		3030	3,681,559	1,333,607	
93.268			3030	97,741,553	97,741,553	NC
<b>Federal Program 93.268 Total</b>				<b>101,423,112</b>	<b>99,075,160</b>	
93.270	Viral Hepatitis Prevention and Control		3030	566,454	109,614	
93.270			3600	274,268	0	
93.270		1133 PREV AM02	3600	45,750	0	PT
93.270		1133 PREV AM04	3600	20,454	0	PT
<b>Federal Program 93.270 Total</b>				<b>906,926</b>	<b>109,614</b>	
93.279	Drug Abuse and Addiction Research Programs	7R01DA037222	1070	75,987	75,987	PT
<b>Federal Program 93.279 Total</b>				<b>75,987</b>	<b>75,987</b>	
93.283	Centers for Disease Control and Prevention_Investi		3030	173,888	0	
93.283		0546100001	3030	1,518	0	PT
<b>Federal Program 93.283 Total</b>				<b>175,406</b>	<b>0</b>	
93.297	Teenage Pregnancy Prevention Program		3030	209,555	66,756	
93.297		UW-01	3600	21,672	0	PT
93.297		UW664381	3600	6	0	PT
<b>Federal Program 93.297 Total</b>				<b>231,233</b>	<b>66,756</b>	
93.300	National Center for Health Workforce Analysis		3600	776,128	0	
<b>Federal Program 93.300 Total</b>				<b>776,128</b>	<b>0</b>	
93.301	Small Rural Hospital Improvement Grant Program		3030	417,505	379,470	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.301 Total</b>				<b>417,505</b>	<b>379,470</b>	
93.305	Pphf 2018: Office of Smoking and Health-National S		3030	1,067,912	381,074	
<b>Federal Program 93.305 Total</b>				<b>1,067,912</b>	<b>381,074</b>	
93.314	Early Hearing Detection and Intervention Informati		3030	236,429	0	
<b>Federal Program 93.314 Total</b>				<b>236,429</b>	<b>0</b>	
93.318	Protecting and Improving Health Globally: Building		3600	1,082,700	0	
93.318			3650	320,235	87,722	
<b>Federal Program 93.318 Total</b>				<b>1,402,935</b>	<b>87,722</b>	
93.322	Csels Partnership: Strengthening Public Health Lab	0546158099	3030	1,088	0	PT
93.322		0546164001	3030	32,240	0	PT
<b>Federal Program 93.322 Total</b>				<b>33,328</b>	<b>0</b>	
93.323	Epidemiology and Laboratory Capacity for Infectio		3030	8,086,251	970,508	
<b>Federal Program 93.323 Total</b>				<b>8,086,251</b>	<b>970,508</b>	
93.324	State Health Insurance Assistance Program		1600	769,979	0	
<b>Federal Program 93.324 Total</b>				<b>769,979</b>	<b>0</b>	
93.326	Strengthening Public Health Through Surveillance		3650	6,840,245	1,296,953	
<b>Federal Program 93.326 Total</b>				<b>6,840,245</b>	<b>1,296,953</b>	
93.336	Behavioral Risk Factor Surveillance System		3030	412,475	0	
<b>Federal Program 93.336 Total</b>				<b>412,475</b>	<b>0</b>	
93.344	Research, Monitoring, Outcomes Defn Vaccine Safety	UW638697	3600	21,010	0	PT
<b>Federal Program 93.344 Total</b>				<b>21,010</b>	<b>0</b>	
93.353	21ST Century Cures Act-Beau Biden Cancer Moonshot		3600	123,327	0	
93.353		0000939646 AM01	3600	(9,282)	0	PT
93.353		0000951432	3600	1,239	0	PT
93.353		0000955697	3600	15,614	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.353	21ST Century Cures Act-Beau Biden Cancer Moonshot	0000958011	3600	2,853	0	PT
93.353		PO# BD522497	3600	48,504	0	PT
93.353		PO# BD522497B AM03	3600	145,712	0	PT
<b>Federal Program 93.353 Total</b>				<b>327,967</b>	<b>0</b>	
93.354	Public Health Emergency Response: Cooperative Agree		3030	1,587,343	504,878	
<b>Federal Program 93.354 Total</b>				<b>1,587,343</b>	<b>504,878</b>	
93.359	Nurse Education, Practice and Retention Grants		3600	554,143	10,714	
<b>Federal Program 93.359 Total</b>				<b>554,143</b>	<b>10,714</b>	
93.368	21ST Century Cures Act-Precision Medicine Initiati		3600	601,083	0	
<b>Federal Program 93.368 Total</b>				<b>601,083</b>	<b>0</b>	
93.369	Acl Independent Living State Grants		3000	490,338	429,851	
<b>Federal Program 93.369 Total</b>				<b>490,338</b>	<b>429,851</b>	
93.408	ARRA - Nurse Faculty Loan Program		3600	(26,624)	0	OL
93.408			3600	76,784	0	OL
<b>Federal Program 93.408 Total</b>				<b>50,160</b>	<b>0</b>	
93.413	The State Flexibility to Stabilize the Market Gran		1600	35,041	0	
<b>Federal Program 93.413 Total</b>				<b>35,041</b>	<b>0</b>	
93.421	Strengthening Public Health Systems and Services	0546100000	3030	1,015	0	PT
93.421		0546442099	3030	42,303	0	PT
93.421		0742019	3600	59,635	5,639	PT
93.421		G1288	3600	16,782	0	PT
93.421		G1289	3600	42,084	0	PT
93.421		G1290	3600	40,303	0	PT
93.421		G1291	3600	89,752	0	PT
<b>Federal Program 93.421 Total</b>				<b>291,874</b>	<b>5,639</b>	
93.424	Non-Aca/Pphf-Building Capacity of the Public Healt	0546912899	3030	2,318	0	PT
93.424		2402018	3600	65,670	65,670	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amt's Passed Through to Subrecipients	See Note E
<b>Federal Program 93.424 Total</b>				<b>67,988</b>	<b>65,670</b>	
93.426	Improving the Health of Americans Through Preventa		3030	1,150,031	140,295	
<b>Federal Program 93.426 Total</b>				<b>1,150,031</b>	<b>140,295</b>	
93.433	Acl National Institute on Disability, Independent		3600	3,972,721	244,039	
93.433		000513370-002 AM03	3600	25,046	0	PT
93.433		000513370-002 AMA02	3600	13,707	0	PT
93.433		1090524-394080	3600	86,287	0	PT
93.433		1090562-409090	3600	192,572	0	PT
93.433		18-1800	3600	5,000	0	PT
93.433		19-1800 AM01	3600	6,485	0	PT
93.433		2694-UWBY1	3600	55,314	0	PT
93.433		7258	3600	50,911	0	PT
93.433			3650	651,109	274,455	
<b>Federal Program 93.433 Total</b>				<b>5,059,152</b>	<b>518,494</b>	
93.434	Every Student Succeeds Act/Preschool Development G		3070	470,563	10,017	
<b>Federal Program 93.434 Total</b>				<b>470,563</b>	<b>10,017</b>	
93.435	Innovative State and Local Public Health Strategie		3030	196,300	29,386	
<b>Federal Program 93.435 Total</b>				<b>196,300</b>	<b>29,386</b>	
93.436	Well-Integrated Screening and Evaluation for Women		3030	196,648	13,585	
<b>Federal Program 93.436 Total</b>				<b>196,648</b>	<b>13,585</b>	
93.439	State Physical Activity and Nutrition (Span)		3030	478,259	78,093	
<b>Federal Program 93.439 Total</b>				<b>478,259</b>	<b>78,093</b>	
93.448	Food Safety and Security Monitoring Project		3030	240,612	0	
93.448			4950	183,876	0	
<b>Federal Program 93.448 Total</b>				<b>424,488</b>	<b>0</b>	
93.464	Acl Assistive Technology		3600	795,954	0	
<b>Federal Program 93.464 Total</b>				<b>795,954</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.470	Alzheimer's Disease Program Initiative	158394	3600	9,417	0	PT
<b>Federal Program 93.470 Total</b>				<b>9,417</b>	<b>0</b>	
93.500	Pregnancy Assistance Fund Program		3030	710,873	393,979	
<b>Federal Program 93.500 Total</b>				<b>710,873</b>	<b>393,979</b>	
93.508	Affordable Care Act Tribal Maternal, Infant & Early	A71880 MOD08	3600	28,805	0	PT
<b>Federal Program 93.508 Total</b>				<b>28,805</b>	<b>0</b>	
93.511	Affordable Care Act Grants to States Health Prem R		1050	3,009,095	0	
<b>Federal Program 93.511 Total</b>				<b>3,009,095</b>	<b>0</b>	
93.516	Public Health Training Centers Program		3600	803,607	123,007	
<b>Federal Program 93.516 Total</b>				<b>803,607</b>	<b>123,007</b>	
93.517	Affordable Care Act Aging & Disability Rsrc Center		3000	126,103	0	
<b>Federal Program 93.517 Total</b>				<b>126,103</b>	<b>0</b>	
93.518	Affordable Care Act Medicare Improv for Patients &		1600	5,729	0	
<b>Federal Program 93.518 Total</b>				<b>5,729</b>	<b>0</b>	
93.521	The Affordable Care Act: Building Epidemiology, La		3030	252,816	59,000	
<b>Federal Program 93.521 Total</b>				<b>252,816</b>	<b>59,000</b>	
93.535	Affordable Care Act (Aca) Childhood Obesity Resear	18-278 AM01	3600	21,024	0	PT
<b>Federal Program 93.535 Total</b>				<b>21,024</b>	<b>0</b>	
93.539	Pphf Capacity Building Assistance to Strengthen Pu		3030	3,323,823	0	
<b>Federal Program 93.539 Total</b>				<b>3,323,823</b>	<b>0</b>	
93.542	Health Promotion and Disease Prevention Research C		3600	43,667	2,900	
<b>Federal Program 93.542 Total</b>				<b>43,667</b>	<b>2,900</b>	
93.556	Promoting Safe and Stable Families		3070	4,739,620	0	
93.556		KC267300 AMEND#1	3700	116,340	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 93.556 Total</b>				<b>4,855,960</b>	<b>0</b>	
93.563	Child Support Enforcement		3000	115,961,639	22,653,634	
<b>Federal Program 93.563 Total</b>				<b>115,961,639</b>	<b>22,653,634</b>	
93.566	Refugee and Entrant Assistance_State Administered		1070	21,496	0	
93.566			3000	16,383,136	572,749	
<b>Federal Program 93.566 Total</b>				<b>16,404,632</b>	<b>572,749</b>	
93.568	Low-Income Home Energy Assistance		1030	55,787,478	49,287,792	
<b>Federal Program 93.568 Total</b>				<b>55,787,478</b>	<b>49,287,792</b>	
93.569	Community Services Block Grant		1030	9,062,971	8,415,408	
<b>Federal Program 93.569 Total</b>				<b>9,062,971</b>	<b>8,415,408</b>	
93.576	Refugee and Entrant Assistance_Discretionary Grant		3000	189,889	171,851	
93.576		1665-77400	6990	63,038	0	PT
<b>Federal Program 93.576 Total</b>				<b>252,927</b>	<b>171,851</b>	
93.579	U.S. Repatriation		3000	1,085	0	
<b>Federal Program 93.579 Total</b>				<b>1,085</b>	<b>0</b>	
93.586	State Court Improvement Program		0550	586,378	0	
<b>Federal Program 93.586 Total</b>				<b>586,378</b>	<b>0</b>	
93.590	Community-Based Child Abuse Prevention Grants		3070	844,635	322,719	
<b>Federal Program 93.590 Total</b>				<b>844,635</b>	<b>322,719</b>	
93.597	Grants to States for Access and Visitation Program		3000	135,995	115,188	
<b>Federal Program 93.597 Total</b>				<b>135,995</b>	<b>115,188</b>	
93.599	Chafee Education and Training Vouchers Program		3070	752,967	0	
<b>Federal Program 93.599 Total</b>				<b>752,967</b>	<b>0</b>	
93.600	Head Start		3070	190,689	0	
93.600		201709279N	3600	115,549	0	PT
93.600		201709280N A03	3600	244,450	0	PT
93.600		2018090433	3600	352,540	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.600	Head Start	2018090434	3600	150,348	0	PT
93.600		2018090434 AM02	3600	651,731	0	PT
93.600			3700	1,955,053	0	
93.600			6990	30,031,314	0	
93.600		09854	6990	191,988	0	PT
93.600		1550	6990	190,216	0	PT
93.600		Early Headstart	6990	73,627	0	PT
93.600		Headstart	6990	488,839	0	PT
<b>Federal Program 93.600 Total</b>				<b>34,636,344</b>	<b>0</b>	
93.602	Assets for Independence Demonstration Program		3650	282,936	0	
<b>Federal Program 93.602 Total</b>				<b>282,936</b>	<b>0</b>	
93.612	Native American Programs	WSU003561	3650	29,455	0	PT
<b>Federal Program 93.612 Total</b>				<b>29,455</b>	<b>0</b>	
93.624	Aca - State Innovation Models: Funding for Model		1070	6,389,510	474,014	
<b>Federal Program 93.624 Total</b>				<b>6,389,510</b>	<b>474,014</b>	
93.630	Developmental Disabilities Basic Support and Advoc		1030	1,281,329	239,172	
<b>Federal Program 93.630 Total</b>				<b>1,281,329</b>	<b>239,172</b>	
93.632	University Centers for Excellence in Developmental		3600	578,444	0	
<b>Federal Program 93.632 Total</b>				<b>578,444</b>	<b>0</b>	
93.638	Aca-Transforming Clinical Practice Initiative: Pra		3030	3,913,704	2,021,510	
93.638			3600	9,173,319	0	
<b>Federal Program 93.638 Total</b>				<b>13,087,023</b>	<b>2,021,510</b>	
93.639	Aca-Transforming Clinical Practice Initiative: Sup	AMEND 2	3600	94,737	0	PT
93.639		UW635213	3600	293,597	0	PT
<b>Federal Program 93.639 Total</b>				<b>388,334</b>	<b>0</b>	
93.643	Children's Justice Grants to States		3070	123,287	0	
<b>Federal Program 93.643 Total</b>				<b>123,287</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.644	Adult Medicaid Quality: Improving Maternal and Inf		1070	73,349		0
<b>Federal Program 93.644 Total</b>				<b>73,349</b>		<b>0</b>
93.645	Stephanie Tubbs Jones Child Welfare Services Progr		3070	1,974,023		0
93.645		CONT#1C100800	3700	192,227		0 PT
<b>Federal Program 93.645 Total</b>				<b>2,166,250</b>		<b>0</b>
93.652	Adoption Opportunities		3070	97,651		0
93.652			3600	231,255	150,010	
93.652		90CO1134-01-00 (PRIME)	3600	88,987	40,998	PT
93.652		90CO1134-02-01 (PRIME)	3600	25,512	0	PT
93.652		90CO1134-02-01 (PRIME)	3600	136,699	4,293	PT
93.652		UW635235	3600	38,925	1,152	PT
93.652		UW662831	3600	90,412	17,934	PT
<b>Federal Program 93.652 Total</b>				<b>709,441</b>	<b>214,387</b>	
93.658	Foster Care Title Iv-E		3000	5		0
93.658			3070	123,771,416		0
93.658		KC261400 & AMEND#3	3700	1,123,457	79,385	PT
93.658		KC278400	3700	55,452	0	PT
<b>Federal Program 93.658 Total</b>				<b>124,950,330</b>	<b>79,385</b>	
93.659	Adoption Assistance		3070	49,978,362		0
<b>Federal Program 93.659 Total</b>				<b>49,978,362</b>		<b>0</b>
93.667	Social Services Block Grant		3000	5,675,000		0
93.667			3070	31,413,558		0
<b>Federal Program 93.667 Total</b>				<b>37,088,558</b>		<b>0</b>
93.669	Child Abuse and Neglect State Grants		3070	819,671		0
<b>Federal Program 93.669 Total</b>				<b>819,671</b>		<b>0</b>
93.671	Family Violence Prevention and Services/Grants for		3000	2,063,951	1,974,398	
<b>Federal Program 93.671 Total</b>				<b>2,063,951</b>	<b>1,974,398</b>	
93.674	John H. Chafee Foster Care Program for Successful		3070	3,338,886	3,012,342	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
<b>Federal Program 93.674 Total</b>				<b>3,338,886</b>	<b>3,012,342</b>	
93.732	Mental and Behavioral Health Education and Trainin		3600	438,108	0	
<b>Federal Program 93.732 Total</b>				<b>438,108</b>	<b>0</b>	
93.733	Capacity Building Assist Strengthen Ph Immuniz		3030	107,547	7,294	
93.733		1H231P000985-01 AM01	3600	2,925	0	PT
<b>Federal Program 93.733 Total</b>				<b>110,472</b>	<b>7,294</b>	
93.734	Empowering Older Adults & Adults With Disabilities		3000	141,894	79,490	
<b>Federal Program 93.734 Total</b>				<b>141,894</b>	<b>79,490</b>	
93.735	State Public Health Approaches for Ensuring Quitli		3030	339,153	99,874	
<b>Federal Program 93.735 Total</b>				<b>339,153</b>	<b>99,874</b>	
93.753	Child Lead Poisoning Prevention Surveillance Finan		3030	59,138	0	
<b>Federal Program 93.753 Total</b>				<b>59,138</b>	<b>0</b>	
93.757	State and Local Public Health Actions to Prevent O		3030	2,453,950	1,266,234	
<b>Federal Program 93.757 Total</b>				<b>2,453,950</b>	<b>1,266,234</b>	
93.758	Preventive Health and Health Services Block Grant		3030	651,635	208,227	
<b>Federal Program 93.758 Total</b>				<b>651,635</b>	<b>208,227</b>	
93.761	Evidence-Based Falls Prevention Programs Fina		3030	110,270	81,620	
<b>Federal Program 93.761 Total</b>				<b>110,270</b>	<b>81,620</b>	
93.767	Children's Health Insurance Program		1070	178,330,776	0	
93.767			3000	1,308,691	0	
<b>Federal Program 93.767 Total</b>				<b>179,639,467</b>	<b>0</b>	
93.788	Opioid Str		1070	24,760,045	18,996,677	
<b>Federal Program 93.788 Total</b>				<b>24,760,045</b>	<b>18,996,677</b>	
93.791	Money Follows the Person Rebalancing Demonstration		1070	12,389	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.791	Money Follows the Person Rebalancing Demonstration		3000	20,613,610	237,716	
<b>Federal Program 93.791 Total</b>				<b>20,625,999</b>	<b>237,716</b>	
93.800	Organized Approaches to Increase Colorectal Cancer		3030	1,514,590	1,140,230	
<b>Federal Program 93.800 Total</b>				<b>1,514,590</b>	<b>1,140,230</b>	
93.808	Increasing the Implementation of Evidence-Based CA		3030	144,482	72,464	
<b>Federal Program 93.808 Total</b>				<b>144,482</b>	<b>72,464</b>	
93.810	Paul Coverdell National Acute Stroke Program Natio		3030	648,500	51,607	
<b>Federal Program 93.810 Total</b>				<b>648,500</b>	<b>51,607</b>	
93.815	Domestic Ebola Supplement to the Epidemiology and		3030	374,500	148,499	
<b>Federal Program 93.815 Total</b>				<b>374,500</b>	<b>148,499</b>	
93.817	Hospital Preparedness Program (Hpp) Ebola Prepared		3030	1,008,417	723,477	
<b>Federal Program 93.817 Total</b>				<b>1,008,417</b>	<b>723,477</b>	
93.822	Health Careers Opportunity Program		3600	623,973	0	
<b>Federal Program 93.822 Total</b>				<b>623,973</b>	<b>0</b>	
93.840	Translation and Implementation Science Research Fo		3600	389,529	0	
<b>Federal Program 93.840 Total</b>				<b>389,529</b>	<b>0</b>	
93.876	Antimicrobial Resistance Surveillance in Retail Fo		3030	144,738	0	
<b>Federal Program 93.876 Total</b>				<b>144,738</b>	<b>0</b>	
93.877	Autism Collaboration, Accountability, Research, Ed		3600	285,664	0	
<b>Federal Program 93.877 Total</b>				<b>285,664</b>	<b>0</b>	
93.881	The Health Insurance Enforcement and Consumer Prot		1600	126,365	0	
<b>Federal Program 93.881 Total</b>				<b>126,365</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.884	Grants for Primary Care Training and Enhancement		3600	907,203	233,475	
<b>Federal Program 93.884 Total</b>				<b>907,203</b>	<b>233,475</b>	
93.889	National Bioterrorism Hospital Preparedness Progra		3030	4,587,846	3,310,667	
<b>Federal Program 93.889 Total</b>				<b>4,587,846</b>	<b>3,310,667</b>	
93.898	Cancer Prevention and Control Programs for State,		3030	6,925,581	4,988,712	
<b>Federal Program 93.898 Total</b>				<b>6,925,581</b>	<b>4,988,712</b>	
93.913	Grants to States for Operation of Offices of Rural		3030	149,058	11,848	
<b>Federal Program 93.913 Total</b>				<b>149,058</b>	<b>11,848</b>	
93.917	HIV Care Formula Grants		3030	14,792,975	9,997,351	
<b>Federal Program 93.917 Total</b>				<b>14,792,975</b>	<b>9,997,351</b>	
93.924	Ryan White HIV/AIDS Dental Reimbursements/Communit		3600	12,403	0	
<b>Federal Program 93.924 Total</b>				<b>12,403</b>	<b>0</b>	
93.939	HIV Prevention Activities_Non-Governmental Organiz		3600	839,006	198,738	
<b>Federal Program 93.939 Total</b>				<b>839,006</b>	<b>198,738</b>	
93.940	HIV Prevention Activities_Health Department Based		3030	5,467,159	3,432,274	
<b>Federal Program 93.940 Total</b>				<b>5,467,159</b>	<b>3,432,274</b>	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immuno		3030	1,302,626	963,243	
<b>Federal Program 93.944 Total</b>				<b>1,302,626</b>	<b>963,243</b>	
93.945	Assistance Programs for Chronic Disease Prevention		3030	219,591	11,496	
93.945		11750SUB	3600	2,605	0	PT
93.945		WFUHS 114528 AMEND 2	3600	13,149	0	PT
93.945		WFUHS 114529 AM04	3600	49,029	0	PT
93.945		WFUHS116058U18DP00613	3600	6,753	0	PT
<b>Federal Program 93.945 Total</b>				<b>291,127</b>	<b>11,496</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.946	Cooperative Agreements to Support State-Based Safe		3030	206,481	0	
<b>Federal Program 93.946 Total</b>				<b>206,481</b>	<b>0</b>	
93.958	Block Grants for Community Mental Health Services		1070	15,718,167	7,042,007	
93.958			3000	7	0	
93.958		1565-52693	3760	95,285	0	PT
93.958		19BHO2100	6990	72,464	0	PT
<b>Federal Program 93.958 Total</b>				<b>15,885,923</b>	<b>7,042,007</b>	
93.959	Block Grants for Prevention and Treatment of Subst		1070	43,233,068	13,339,877	
93.959		18-332-74516-0	3600	37,688	0	PT
93.959		196354	3600	50,047	0	PT
<b>Federal Program 93.959 Total</b>				<b>43,320,803</b>	<b>13,339,877</b>	
93.969	Pphf Geriatric Education Centers		3600	865,229	228,170	
<b>Federal Program 93.969 Total</b>				<b>865,229</b>	<b>228,170</b>	
93.977	Sexually Transmitted Diseases (Std) Prevention and		3030	2,402,339	1,140,881	
93.977			3600	763,966	0	
93.977		SG-652	3600	24,367	0	PT
93.977		SG-827 MOD02	3600	15,175	0	PT
<b>Federal Program 93.977 Total</b>				<b>3,205,847</b>	<b>1,140,881</b>	
93.981	Improving Student Health and Academic Achievement		3500	285,719	29,356	
<b>Federal Program 93.981 Total</b>				<b>285,719</b>	<b>29,356</b>	
93.991	Preventive Health and Health Services Block Grant		3030	1,061,493	195,274	
<b>Federal Program 93.991 Total</b>				<b>1,061,493</b>	<b>195,274</b>	
93.994	Maternal and Child Health Services Block Grant to		3030	8,817,076	5,517,806	
<b>Federal Program 93.994 Total</b>				<b>8,817,076</b>	<b>5,517,806</b>	
93.U01	HHS - Unknown CFDA Number	110847313	3650	23,005	0	PT
<b>Federal Program 93.U01 Total</b>				<b>23,005</b>	<b>0</b>	
93.U02	HHS - Unknown CFDA Number	11891SUB	3650	47,595	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 93.U02 Total</b>				<b>47,595</b>	<b>0</b>	
93.U03	HHS - Unknown CFDA Number	132359001	3650	104,953	0	PT
<b>Federal Program 93.U03 Total</b>				<b>104,953</b>	<b>0</b>	
93.U04	HHS - Unknown CFDA Number	136558	3650	25,751	0	PT
<b>Federal Program 93.U04 Total</b>				<b>25,751</b>	<b>0</b>	
93.U05	HHS - Unknown CFDA Number	2037093	3650	49,181	0	PT
<b>Federal Program 93.U05 Total</b>				<b>49,181</b>	<b>0</b>	
93.U06	HHS - Unknown CFDA Number	A190461S002	3650	29,234	0	PT
<b>Federal Program 93.U06 Total</b>				<b>29,234</b>	<b>0</b>	
93.U07	HHS - Unknown CFDA Number	F856801	3650	57,691	0	PT
<b>Federal Program 93.U07 Total</b>				<b>57,691</b>	<b>0</b>	
93.U09	HHS - Unknown CFDA Number	WSU003495	3650	67,666	0	PT
<b>Federal Program 93.U09 Total</b>				<b>67,666</b>	<b>0</b>	
93.U10	HHS - Unknown CFDA Number	WSU003704	3650	18,322	0	PT
<b>Federal Program 93.U10 Total</b>				<b>18,322</b>	<b>0</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>1,113,697,071</b>	<b>321,790,792</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Corp for National & Community Service**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
94.002	Retired and Senior Volunteer Program		3750	60,239	0	
94.002			6990	49,805	0	
<b>Federal Program 94.002 Total</b>				<b>110,044</b>	<b>0</b>	
94.003	State Commissions		1050	358,778	0	
<b>Federal Program 94.003 Total</b>				<b>358,778</b>	<b>0</b>	
94.006	Americorps		1050	12,748,810	3,495,435	
94.006		480200	3600	160,021	0	PT
94.006			3800	426,536	0	
94.006			6990	130,961	0	
<b>Federal Program 94.006 Total</b>				<b>13,466,328</b>	<b>3,495,435</b>	
94.009	Training and Technical Assistance		1050	231,148	9,842	
94.009			3800	1,605	0	
<b>Federal Program 94.009 Total</b>				<b>232,753</b>	<b>9,842</b>	
94.013	Volunteers in Service to America		3800	9,999	0	
<b>Federal Program 94.013 Total</b>				<b>9,999</b>	<b>0</b>	
94.019	Social Innovation Fund	2015-0077	3600	116,671	0	PT
<b>Federal Program 94.019 Total</b>				<b>116,671</b>	<b>0</b>	
94.021	Volunteer Generation Fund		1050	11,528	0	
<b>Federal Program 94.021 Total</b>				<b>11,528</b>	<b>0</b>	
<b>Corp for National &amp; Community Service Total</b>				<b>14,306,101</b>	<b>3,505,277</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Executive Office of the President**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
95.001	High Intensity Drug Trafficking Areas Program		2250	869,208		0
95.001		9001600053	3600	12,680		0 PT
95.001		9001700071	3600	29,832		0 PT
<b>Federal Program 95.001 Total</b>				<b>911,720</b>		<b>0</b>
<b>Executive Office of the President Total</b>				<b>911,720</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Federal Programs Not Clustered**

**Dept of Homeland Security**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
97.008	Non-Profit Security Program		2450	112,981	112,981	
	<b>Federal Program 97.008 Total</b>			<b>112,981</b>	<b>112,981</b>	
97.012	Boating Safety Financial Assistance		4650	2,022,353	0	
	<b>Federal Program 97.012 Total</b>			<b>2,022,353</b>	<b>0</b>	
97.023	Community Assistance Program State Support Service		4610	152,671	0	
	<b>Federal Program 97.023 Total</b>			<b>152,671</b>	<b>0</b>	
97.029	Flood Mitigation Assistance		2450	185,429	173,775	
	<b>Federal Program 97.029 Total</b>			<b>185,429</b>	<b>173,775</b>	
97.036	Disaster Grants - Public Assistance (Presidential)		2450	12,265,788	12,265,788	
	<b>Federal Program 97.036 Total</b>			<b>12,265,788</b>	<b>12,265,788</b>	
97.039	Hazard Mitigation Grant		2450	3,198,554	2,714,105	
97.039		D17 002	3760	301,756	0	PT
	<b>Federal Program 97.039 Total</b>			<b>3,500,310</b>	<b>2,714,105</b>	
97.041	National Dam Safety Program		4610	87,680	0	
	<b>Federal Program 97.041 Total</b>			<b>87,680</b>	<b>0</b>	
97.042	Emergency Management Performance Grants		2450	6,407,602	4,209,224	
	<b>Federal Program 97.042 Total</b>			<b>6,407,602</b>	<b>4,209,224</b>	
97.043	State Fire Training Systems Grants		2250	20,009	0	
	<b>Federal Program 97.043 Total</b>			<b>20,009</b>	<b>0</b>	
97.045	Cooperating Technical Partners		2450	35,743	0	
97.045			4610	210,509	0	
97.045			4900	61,734	0	
	<b>Federal Program 97.045 Total</b>			<b>307,986</b>	<b>0</b>	
97.046	Fire Management Assistance Grant		2450	17,698,055	958	
	<b>Federal Program 97.046 Total</b>			<b>17,698,055</b>	<b>958</b>	
97.047	Pre-Disaster Mitigation		2450	2,209,005	2,131,784	
	<b>Federal Program 97.047 Total</b>			<b>2,209,005</b>	<b>2,131,784</b>	
97.056	Port Security Grant Program		2250	505,333	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Federal Programs Not Clustered**

**Dept of Homeland Security**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
97.056	Port Security Grant Program		4050	103,412		0
<b>Federal Program 97.056 Total</b>				<b>608,745</b>		<b>0</b>
97.061	Centers for Homeland Security	P0484663 AM05	3600	(801)		0 PT
97.061		P0484663 AM07	3600	75,693		0 PT
<b>Federal Program 97.061 Total</b>				<b>74,892</b>		<b>0</b>
97.067	Homeland Security Grant Program	K12612-SG87	2250	4,539		0 PT
97.067			2450	11,259,237	10,112,477	
97.067		18SH.010	4770	8,305		0 PT
97.067		201706017	4770	12,082		0 PT
97.067		201810011	4770	3,163		0 PT
97.067		Agreement	4770	9,166		0 PT
<b>Federal Program 97.067 Total</b>				<b>11,296,492</b>	<b>10,112,477</b>	
97.091	Homeland Security Biowatch Program	0546193199	3030	523,312		0 PT
<b>Federal Program 97.091 Total</b>				<b>523,312</b>		<b>0</b>
97.U09	Homeland Security - Undetermined	WA0349900	4770	1,473		0
<b>Federal Program 97.U09 Total</b>				<b>1,473</b>		<b>0</b>
<b>Dept of Homeland Security Total</b>				<b>57,474,783</b>	<b>31,721,092</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Federal Programs Not Clustered**

**U.S. Agency for International Development**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
98.001	Usaid Foreign Assistance for Programs Overseas		3600	2,061,940	1,119,752	
98.001		00449784111052AM07	3600	29,718	0	PT
98.001		00449784111052AM08	3600	87,766	0	PT
98.001		102137001004003004AM02	3600	1,412,855	27,272	PT
98.001		102462001002001PO19000	3600	640,273	0	PT
98.001		5113403	3600	5,173	0	PT
98.001		AID191301618043CRTAM0	3600	7,867	0	PT
98.001		MAPS2-18-084 AM01	3600	211,131	0	PT
98.001			3650	112,851	0	
98.001		45136419276	3650	9,127	0	PT
<b>Federal Program 98.001 Total</b>				<b>4,578,701</b>	<b>1,147,024</b>	
98.012	Usaid Development Partnerships for University Coop	RC102095BHEARDKENYA	3650	23,532	0	PT
<b>Federal Program 98.012 Total</b>				<b>23,532</b>	<b>0</b>	
<b>U.S. Agency for International Development Total</b>				<b>4,602,233</b>	<b>1,147,024</b>	
<b>Federal Programs Not Clustered Total</b>				<b>3,325,031,863</b>	<b>908,625,899</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.001	Agricultural Research_Basic and Applied Research		3600	79,317	0	
10.001			3650	1,857,563	4,124	
10.001		R0615A-A	3650	71,107	0	PT
10.001		WSU003470	3650	132,902	0	PT
<b>Federal Program 10.001 Total</b>				<b>2,140,889</b>	<b>4,124</b>	
<b>Agricultural Research Service Total</b>				<b>2,140,889</b>	<b>4,124</b>	
10.200	Grants for Agricultural Research, Special Research		3600	765,917	416,519	
10.200			3650	1,018,197	572,045	
10.200		20150258701WSU	3650	6,644	0	PT
10.200		20150258715WSU	3650	45	0	PT
10.200		20150258717WSU	3650	(4,667)	0	PT
10.200		A180916S001	3650	1,440	0	PT
10.200		A180916S002	3650	6,357	0	PT
10.200		A180916S003	3650	52,908	0	PT
10.200		A180916S004	3650	25,942	0	PT
10.200		A180916S049	3650	7,442	0	PT
10.200		A180916S074	3650	17,050	0	PT
10.200		A180916S076	3650	262	0	PT
10.200		A180916S077	3650	6,647	0	PT
10.200		G140261	3650	2,004	0	PT
10.200		WSU003892	3650	407	0	PT
<b>Federal Program 10.200 Total</b>				<b>1,906,595</b>	<b>988,564</b>	
10.202	Cooperative Forestry Research		3600	480,835	0	
10.202			3650	241,569	0	
<b>Federal Program 10.202 Total</b>				<b>722,404</b>	<b>0</b>	
10.203	Payments to Agricultural Experiment Stations Under		3650	3,365,474	0	
<b>Federal Program 10.203 Total</b>				<b>3,365,474</b>	<b>0</b>	
10.207	Animal Health and Disease Research		3650	92,809	0	
<b>Federal Program 10.207 Total</b>				<b>92,809</b>	<b>0</b>	
10.215	Sustainable Agriculture Research and Education	140867029223	3650	17,175	10,928	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.215	Sustainable Agriculture Research and Education	15089300001266	3650	1,297	0	PT
10.215		15089300001268	3650	5,957	0	PT
10.215		15089300001271	3650	6,538	0	PT
10.215		150893169	3650	42,151	1,571	PT
10.215		200592380	3650	28,715	0	PT
10.215		200592444	3650	15,970	0	PT
10.215		200592445	3650	10,547	0	PT
10.215		201207511	3650	24,550	0	PT
10.215		201207548	3650	71,625	39,811	PT
10.215		201207564	3650	21,184	0	PT
10.215		201207568	3650	9,963	0	PT
10.215		201207595	3650	24,627	0	PT
10.215		G16219W7506	3650	1,205	0	PT
10.215		GAR33193263	3650	478	0	PT
<b>Federal Program 10.215 Total</b>				<b>281,982</b>	<b>52,310</b>	
10.227	1994 Institutions Research Program	NWIC-SA28759-WWU	3800	1,559	0	PT
<b>Federal Program 10.227 Total</b>				<b>1,559</b>	<b>0</b>	
<b>National Institute of Food and Agriculture Total</b>				<b>6,370,823</b>	<b>1,040,874</b>	
10.250	Agricultural and Rural Economic Research		3600	31,931	0	
10.250			3650	42,242	0	
<b>Federal Program 10.250 Total</b>				<b>74,173</b>	<b>0</b>	
<b>Economic Research Service Total</b>				<b>74,173</b>	<b>0</b>	
10.307	Organic Agriculture Research and Extension Initiat		3650	1,068,546	429,453	
10.307		14082302	3650	58,387	0	PT
10.307		C0519AA	3650	43,771	0	PT
10.307		G19419W7408	3650	21,151	0	PT
<b>Federal Program 10.307 Total</b>				<b>1,191,855</b>	<b>429,453</b>	
10.310	Agriculture and Food Research Initiative (Afri)		3600	1,534,829	774,704	
10.310		612K032 AM03	3600	74,855	0	PT
10.310			3650	5,804,181	479,831	
10.310		07594515343	3650	39,493	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Agriculture**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
10.310	Agriculture and Food Research Initiative (Afri)	102117659	3650	323,709		0 PT
10.310		20101571807	3650	83		0 PT
10.310		20122309005	3650	16,017		0 PT
10.310		20160356617	3650	68,264		0 PT
10.310		2018031801	3650	15,532		0 PT
10.310		29034SUB51751	3650	19,943		0 PT
10.310		30122SUBWSU	3650	7,242		0 PT
10.310		58864Z5057201	3650	29,630		0 PT
10.310		A181616S001	3650	64,197		0 PT
10.310		BGK418SB001	3650	1,886		0 PT
10.310		BJKL03SB002	3650	(2,894)		0 PT
10.310		BJKP55SB002	3650	18,021		0 PT
10.310		BJKQ80SB001	3650	374,488		0 PT
10.310		BKK664SB001	3650	20,808		0 PT
10.310		C00544064	3650	35,176		0 PT
10.310		C4996	3650	140,525		0 PT
10.310		GF105031	3650	19,450		0 PT
10.310		H005365302	3650	3,629		0 PT
10.310		RC104967WSU	3650	182,018		0 PT
10.310		RC105806WSU	3650	30,809		0 PT
10.310		UFDSP00011803	3650	81,667		0 PT
10.310			3760	10,988		0
10.310		30122 SUB52346	3760	5,029		0 PT
10.310		202569WWU	3800	8,038		0 PT
10.310			6990	25,272		0
<b>Federal Program 10.310 Total</b>				<b>8,952,885</b>	<b>1,254,535</b>	
<b>National Institute of Food and Agriculture Total</b>				<b>10,144,740</b>	<b>1,683,988</b>	
10.680	Forest Health Protection		3600	18		0
10.680		1101	3650	17,996		0 PT
10.680		69329-10949	3800	602		0 PT
10.680		87313-11118	3800	2,308		0 PT
10.680			4900	379,594		0
10.680			4950	82,191		69,287
<b>Federal Program 10.680 Total</b>				<b>482,709</b>	<b>69,287</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Agriculture**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
	<b>Forest Service Total</b>			<b>482,709</b>	<b>69,287</b>	
10.RD	Agriculture - Unknown CFDA Number	20142-DRESCHLER-NIFA	3600	250,644	0	PT
	<b>Federal Program 10.RD Total</b>			<b>250,644</b>	<b>0</b>	
	<b>USDA Contract Number Only Provided Total</b>			<b>250,644</b>	<b>0</b>	
	<b>Dept of Agriculture Total</b>			<b>19,463,978</b>	<b>2,798,273</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.417	Sea Grant Support		3600	3,291,267	431,071	
11.417		MA1310 AM01	3600	28,562	0	PT
11.417		0648-0362	6990	54,863	0	PT
<b>Federal Program 11.417 Total</b>				<b>3,374,692</b>	<b>431,071</b>	
11.420	Coastal Zone Management Estuarine Research Reserve		4610	965,044	0	
<b>Federal Program 11.420 Total</b>				<b>965,044</b>	<b>0</b>	
11.427	Fisheries Development and Utilization Research and		3600	442,515	0	
11.427		AM01	3600	30,356	0	PT
11.427		NA15NMF4270322 AM02	3600	33,340	0	PT
<b>Federal Program 11.427 Total</b>				<b>506,211</b>	<b>0</b>	
11.431	Climate and Atmospheric Research		3600	1,853,468	142,676	
11.431		16-04 AM03	3600	47,386	0	PT
11.431		NA291A-B AM03	3600	116,128	0	PT
<b>Federal Program 11.431 Total</b>				<b>2,016,982</b>	<b>142,676</b>	
11.432	National Oceanic and Atmospheric Administration (N		3600	18,072,507	36,659	
11.432		2019-20	3600	18,783	0	PT
11.432		3004716165 PO#1910552	3600	3,888	0	PT
11.432		NA17NMF4270221	3800	15,126	0	PT
<b>Federal Program 11.432 Total</b>				<b>18,110,304</b>	<b>36,659</b>	
11.459	Weather and Air Quality Research		2450	147,181	144,140	
11.459			3600	103,816	0	
<b>Federal Program 11.459 Total</b>				<b>250,997</b>	<b>144,140</b>	
11.467	Meteorologic and Hydrologic Modernization Developm		2450	794,432	471,604	
<b>Federal Program 11.467 Total</b>				<b>794,432</b>	<b>471,604</b>	
11.468	Applied Meteorological Research		3600	201,356	0	
<b>Federal Program 11.468 Total</b>				<b>201,356</b>	<b>0</b>	
11.472	Unallied Science Program	1509B AM01	3600	36,224	0	PT
11.472		1533 AM02	3600	7,370	0	PT
11.472		1603AM01NA15NMF47201	3600	92,789	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Commerce**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.472	Unallied Science Program	1609 AM01	3600	12,323	0	PT
11.472		1615	3600	53,480	37,629	PT
11.472		17-75-08 AM02	3600	259,984	0	PT
11.472		1705	3600	105,433	0	PT
11.472		1722	3600	6,920	0	PT
11.472		1722-90	3600	2,974	0	PT
11.472		1724 AM01	3600	107,234	0	PT
11.472		1805	3600	40,925	0	PT
11.472		1806	3600	39,348	0	PT
11.472		1809	3600	108,604	0	PT
11.472		1810	3600	34,117	0	PT
11.472		1813	3600	3,654	0	PT
11.472		1819	3600	52,210	0	PT
11.472		A92-02A	3600	5,260	0	PT
11.472		A92-02B	3600	84,621	0	PT
11.472		A93-02B	3600	84,404	0	PT
11.472		A94-00B	3600	6,049	0	PT
11.472		COOP 18-082 AM01	3600	204,276	0	PT
11.472		CT 180000354	3600	44,549	0	PT
11.472		PROJECT# 1601	3600	54,456	0	PT
11.472		1427C	3800	39,295	0	PT
11.472		1701	3800	42,192	0	PT
11.472			4770	583,209	0	
11.472		0303.17.058776	4770	9,159	0	PT
<b>Federal Program 11.472 Total</b>				<b>2,121,059</b>	<b>37,629</b>	
<b>National Oceanic and Atmospheric Administration (N Total)</b>				<b>28,341,077</b>	<b>1,263,779</b>	
11.609	Measurement and Engineering Research and Standards		3600	320,563	104,262	
11.609		18-S08	3600	36,488	0	PT
<b>Federal Program 11.609 Total</b>				<b>357,051</b>	<b>104,262</b>	
<b>National Institute of Standards and Technology (Ni Total)</b>				<b>357,051</b>	<b>104,262</b>	
11.RD	Commerce - Unknown CFDA Number		3600	87,945	0	
11.RD		1707A	3600	4,121	0	PT
11.RD		632151721	3600	940	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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(Expressed in whole dollars)*

**Research and Development**

**Dept of Commerce**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.RD	Commerce - Unknown CFDA Number	P.O.#6841	3600	24,043		0 PT
11.RD		S615	3600	9,922		0 PT
<b>Federal Program 11.RD Total</b>				<b>126,971</b>		<b>0</b>
<b>Commerce Contract Number Only Provided Total</b>				<b>126,971</b>		<b>0</b>
<b>Dept of Commerce Total</b>				<b>28,825,099</b>	<b>1,368,041</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Research and Development**

**Dept of Defense**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.114	Collaborative Research and Development		4610	113,375		0
<b>Federal Program 12.114 Total</b>				<b>113,375</b>		<b>0</b>
<b>Department of the Army, Office of the Chief of Eng Total</b>				<b>113,375</b>		<b>0</b>
12.300	Basic and Applied Scientific Research		3600	24,827,896	1,598,476	
12.300		00009483 AM02	3600	137,096		0 PT
12.300		1140209-405780 AM01	3600	96,059		0 PT
12.300		417318URFAOGR510770A	3600	107,829		0 PT
12.300		4500002947N00014181206	3600	81,004		0 PT
12.300		78559-10699 AM03	3600	385,045		0 PT
12.300		7855910699N00014161261	3600	61,009		0 PT
12.300		A101380 AM01	3600	71,184		0 PT
12.300		A101429	3600	39,212		0 PT
12.300		E2045223 AM01	3600	344,631		0 PT
12.300		EGC1A127289	3600	46,465		0 PT
12.300			3650	729,195		0
12.300		SUB0000233	3650	55,853		0 PT
12.300		US01	3650	93,877		0 PT
12.300		WSU003720	3650	68		0 PT
12.300			3800	41,812		0
12.300			4770	394,046		0
<b>Federal Program 12.300 Total</b>				<b>27,512,281</b>	<b>1,598,476</b>	
<b>Department of the Navy, Office of the Chief of Nav Total</b>				<b>27,512,281</b>	<b>1,598,476</b>	
12.351	Basic Scientific Research - Combating Weapons of		3600	2,752,106	70,763	
12.351		00583204139921AM01	3600	63,803		0 PT
12.351			3650	1,434,817	114,734	
12.351		SUB0000083	3650	(8)		0 PT
<b>Federal Program 12.351 Total</b>				<b>4,250,718</b>	<b>185,497</b>	
<b>Office of the Secretary of Defense Total</b>				<b>4,250,718</b>	<b>185,497</b>	
12.420	Military Medical Research and Development		3600	13,481,288	1,681,570	
12.420		0000814873 AM03	3600	80,785		0 PT
12.420		0000814876 AM3	3600	35,316		0 PT
12.420		0000843084 AM02	3600	3,646		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Defense**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
12.420	Military Medical Research and Development	0000843085 AM02	3600	1,343		0 PT
12.420		0000977406	3600	52,627		0 PT
12.420		0258-0701-4609 AM02	3600	2,492		0 PT
12.420		0258-1031-4609	3600	112,506		0 PT
12.420		0258-1031-4609 AM02	3600	197,193		0 PT
12.420		1130213-394810 AM01	3600	29,824		0 PT
12.420		12-18717-99-01-G1 AM03	3600	456,114		0 PT
12.420		16704-00 AM01	3600	49,635		0 PT
12.420		1719 G WB554	3600	39,941		0 PT
12.420		2001977042 MOD05	3600	(18,866)		0 PT
12.420		2004209935	3600	10,093		0 PT
12.420		201114	3600	1,177		0 PT
12.420		2016.0003 AM02	3600	106,318		0 PT
12.420		3003179988 AM06	3600	125,554		0 PT
12.420		3004575805 AM01	3600	28,411		0 PT
12.420		4500002564	3600	81,955		0 PT
12.420		61399-Z8524002 AM A	3600	132,726		0 PT
12.420		8455 AM06	3600	122,247		0 PT
12.420		8455SC	3600	350,463		0 PT
12.420		8455SC AM03	3600	(573)		0 PT
12.420		A037425 MOD03	3600	3,882		0 PT
12.420		CHAO2022-01 AM02	3600	78,183		0 PT
12.420		JPAPOPE152SIKKEC1SIBC	3600	7,523		0 PT
12.420		MD13-HALSNE-2-SIBCR	3600	7,072		0 PT
12.420		MD13-HALSNE-3-SIBCR	3600	50,148		0 PT
12.420		MD13-HB1-2-SIBCR	3600	1,696		0 PT
12.420		MD13-HB1-3-SIBCR	3600	11,248		0 PT
12.420		MSRC-FY-16-01 MOD01	3600	494,519	47,312	PT
12.420		PO 2002505331 MOD03	3600	2,622		0 PT
12.420		PO# 2002478756 MOD01	3600	19,613		0 PT
12.420		PT108802-SC104833 AM08	3600	12,225		0 PT
12.420		R02087	3600	24,309		0 PT
12.420		RC108014-UW	3600	22,472		0 PT
12.420		RE11-ROKHMN-2-SIBCR	3600	9,062		0 PT
12.420		RE11CABALD3SIBCR	3600	2,703		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.420	Military Medical Research and Development	RE11CABALD4SIBCR	3600	49,677		0 PT
12.420		RE11ROKHMN3SIBCRMO	3600	41,981		0 PT
12.420		RE11SIEA4SIBCRM01	3600	49,024		0 PT
12.420		RM128A-B AM02	3600	128,152		0 PT
12.420		RNG200317-UW AM02	3600	2,321		0 PT
12.420		SUB00001674	3600	116,329		0 PT
12.420		SUBK00003006 AM07	3600	18,355		0 PT
12.420		T659929 AM02	3600	4,867		0 PT
12.420		VUMC37447 MOD05	3600	20		0 PT
12.420		W81XWH1020090 MOD03	3600	7,485		0 PT
12.420		WFUHS441002BGU02AM0	3600	368		0 PT
12.420			3650	2,287,643		5,000
12.420		8442SC	3650	(28,978)		0 PT
<b>Federal Program 12.420 Total</b>				<b>18,906,736</b>	<b>1,733,882</b>	
<b>U.S. Army Medical Command Total</b>				<b>18,906,736</b>	<b>1,733,882</b>	
12.431	Basic Scientific Research		3600	2,257,241	306,435	
12.431		0000934254 AM02	3600	131,788		0 PT
12.431		0518 G WA899	3600	82,702		0 PT
12.431		093111-17349	3600	45,442		0 PT
12.431		201301077-03 AM12	3600	202,123		0 PT
12.431		KK1810 AM03	3600	162,518		0 PT
12.431		R01884 AM02	3600	60,150		0 PT
12.431		S4661 - PO 236230 AM01	3600	212,638		0 PT
12.431			3650	1,473,092		89,337
12.431		20150616603	3650	63,893		0 PT
<b>Federal Program 12.431 Total</b>				<b>4,691,587</b>	<b>395,772</b>	
<b>U.S. Army Materiel Command Total</b>				<b>4,691,587</b>	<b>395,772</b>	
12.630	Basic, Applied, and Advanced Research in Science A		3600	110,736		0
12.630		0220160028 AM02	3600	44,136		26,461 PT
12.630		19-871-046	3600	7,693		0 PT
12.630		N000141420002	6990	45,641		0 PT
<b>Federal Program 12.630 Total</b>				<b>208,206</b>	<b>26,461</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Office of the Secretary of Defense Total</b>				<b>208,206</b>	<b>26,461</b>	
12.800	Air Force Defense Resch Sciences Program		3600	4,901,998	1,369,041	
12.800		313-0864	3600	176,555	0	PT
12.800		5710004246	3600	17,790	0	PT
12.800		60814399-114411 AM09	3600	158,924	0	PT
12.800		61129790-119334 AM02	3600	334	0	PT
12.800		61129790-119334 AM03	3600	64,590	0	PT
12.800		707824-874J AM05	3600	235,326	0	PT
12.800		R01868 AM02	3600	214,778	0	PT
12.800		SP0022325PROJ0007154A	3600	68,228	0	PT
12.800			3650	388,935	0	
12.800		10049788WSU	3650	129,764	0	PT
<b>Federal Program 12.800 Total</b>				<b>6,357,222</b>	<b>1,369,041</b>	
<b>Department of the Air Force, Materiel Command Total</b>				<b>6,357,222</b>	<b>1,369,041</b>	
12.902	Information Security Grant Program		3600	1,044,720	2,417	
12.902			6990	717,478	0	
<b>Federal Program 12.902 Total</b>				<b>1,762,198</b>	<b>2,417</b>	
<b>National Security Agency Total</b>				<b>1,762,198</b>	<b>2,417</b>	
12.910	Research and Technology Development		3600	8,735,721	2,091,483	
12.910		15328351100270013AM01	3600	119,880	0	PT
12.910		28-M1702181 AM03	3600	66,169	0	PT
12.910		28-M1802338 AM02	3600	112,650	0	PT
12.910		67102239 AM04	3600	734,350	0	PT
12.910		SUB0000246 AM02	3600	114,286	0	PT
12.910		SUB0000301 AM02	3600	233,008	0	PT
12.910			3650	497,948	82,011	
12.910		28M1702710	3650	(6,275)	0	PT
<b>Federal Program 12.910 Total</b>				<b>10,607,737</b>	<b>2,173,494</b>	
<b>Advanced Research Projects Agency Total</b>				<b>10,607,737</b>	<b>2,173,494</b>	
12.RD	DOD - Unknown CFDA Number	K13138-HCB4/LBL4	2250	208,985	0	
12.RD			3600	27,507,459	915,912	
12.RD		005666641361418AM02	3600	11,774	0	PT
12.RD		011138-002	3600	44,330	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.RD	DOD - Unknown CFDA Number	11154SCW81XWH1590001	3600	115,044		0 PT
12.RD		1295-S-TA153 AM03	3600	78,178		0 PT
12.RD		162643-19-26-C1	3600	15,374		0 PT
12.RD		1627-UOW AM01	3600	37,650		0 PT
12.RD		17-8400-09-C1 MOD04	3600	30,413		0 PT
12.RD		191-16-C-0004 MOD01	3600	58,080		0 PT
12.RD		1940000022008STARUW	3600	38,274		0 PT
12.RD		2019-006	3600	183,655		0 PT
12.RD		208107UW	3600	60,982		0 PT
12.RD		208126UW AM01	3600	116,162		0 PT
12.RD		27-001450 MOD08	3600	80,821		0 PT
12.RD		401102349 MOD01	3600	319,756		0 PT
12.RD		50001920 MOD02	3600	190,860		0 PT
12.RD		69333-Z8133201	3600	27,056		0 PT
12.RD		6G56-UW MOD02	3600	56,325		0 PT
12.RD		804K786	3600	44,326		0 PT
12.RD		9285SUBCONTRACT20160	3600	131,993		0 PT
12.RD		930600-9	3600	287,102		0 PT
12.RD		A101393PROJ49180800AM	3600	24,004		0 PT
12.RD		A121653	3600	54,235		0 PT
12.RD		AFTTS-UW-002 AM04	3600	193,539		0 PT
12.RD		BBN # 14775	3600	40,163		0 PT
12.RD		CKM1STOTTLERHENKEU	3600	25,876		0 PT
12.RD		CKM2STOTTLERHENKEU	3600	13,096		0 PT
12.RD		CONTRACT#132791	3600	41,128		0 PT
12.RD		CONTRACT132791MOD01	3600	12,856		0 PT
12.RD		CRD-01-1150	3600	73,375		0 PT
12.RD		CRFR-009-02-01 MOD04	3600	15,744		0 PT
12.RD		FIRST AMENDMENT	3600	39		0 PT
12.RD		HPTIDRCSUB2014PETTTU	3600	(2,176)		0 PT
12.RD		LBN9512876 MOD 9	3600	31,787		0 PT
12.RD		LLTK-SSMSP-19 AMO3	3600	18,831		0 PT
12.RD		MA1316 AM01	3600	111,425		0 PT
12.RD		MA1316 AM02	3600	148,347		0 PT
12.RD		MA1400	3600	6,862		0 PT
12.RD		N00014-17-1-2606	3600	10,387		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.RD	DOD - Unknown CFDA Number	N006060604 AM02	3600	1,442,932	0	PT
12.RD		N68335-17-C-0371	3600	38,463	0	PT
12.RD		NAVFACPROJ65TON62470	3600	46,734	40,237	PT
12.RD		NC68335-17-C-0553	3600	68,522	0	PT
12.RD		NTRAP1802W81XWH18C0	3600	69,490	0	PT
12.RD		PO #4207023728	3600	65,738	0	PT
12.RD		PO 4102467283 AM05	3600	4,463	0	PT
12.RD		PO M220251	3600	12,231	0	PT
12.RD		PO# 4103296825 MOD 04	3600	167,366	0	PT
12.RD		PO# 9171	3600	(3,688)	0	PT
12.RD		PO10219879	3600	37,261	0	PT
12.RD		PO40301399TASKT2C2S1K	3600	155,677	0	PT
12.RD		PO40301399TASKT4C3S1J	3600	217,243	0	PT
12.RD		PRIME HR0011-16-C-0116	3600	38,474	0	PT
12.RD		PROJECT042959PO170502	3600	19,510	0	PT
12.RD		PROJECT042959PO170502	3600	1,027,779	177,755	PT
12.RD		PS150026 MOD07	3600	75,716	0	PT
12.RD		R1567501	3600	183,366	0	PT
12.RD		RM119A-A AM05	3600	105,313	0	PT
12.RD		ROS002904AM01POROS07	3600	142,867	0	PT
12.RD		S-644-003552-UW MOD01	3600	101,609	0	PT
12.RD		S17-033001 MOD001	3600	87,452	0	PT
12.RD		S4749 PO#258284	3600	43,870	0	PT
12.RD		SA18004	3600	16,660	0	PT
12.RD		SC1712603 AM01	3600	67,131	0	PT
12.RD		SUBCONTRACT # 89236	3600	136,326	0	PT
12.RD		SUBCONTRACT89236AM0	3600	(27,011)	0	PT
12.RD		T72595 CO04	3600	1,005	0	PT
12.RD		U OF W #A131338	3600	1,343	0	PT
12.RD		UW635527	3600	31,626	0	PT
12.RD		UW635637	3600	104,429	0	PT
12.RD		UW636222	3600	136,375	0	PT
12.RD		UW639884	3600	48,416	0	PT
12.RD		UW666356	3600	115,733	0	PT
12.RD		W81XWH-16-2-0060	3600	398	0	PT
12.RD		W911QY15C0099SUB3AM	3600	36,276	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Defense**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
12.RD	DOD - Unknown CFDA Number	1107043WSU	3650	1,612		0 PT
12.RD		1352	3650	30,471		0 PT
12.RD		17082801	3650	43,946		0 PT
12.RD		19050301	3650	5,008		0 PT
12.RD		19400036135601	3650	140,786		0 PT
12.RD		207LUC595	3650	59,384		0 PT
12.RD		3323200201841	3650	76,134		0 PT
12.RD		45052819276	3650	96		0 PT
12.RD		ARM212WSU	3650	105,167		0 PT
12.RD		FY18937001	3650	16,923		0 PT
12.RD		TASKORDERRELEASE001	3650	1,849		0 PT
12.RD		TASKORDERRELEASE002	3650	6,342		0 PT
12.RD		TASKORDERRELEASE003	3650	128,020		0 PT
12.RD		WSU002917	3650	252		0 PT
12.RD		CH0042 T	3700	2,081		0 PT
12.RD		W90127N-14-2-0012-0013	4770	219,242		0
12.RD		W911S8-12-H-0001	4770	110,319		0
12.RD		W911S8-18-2-0017	4770	45,957		0
12.RD		W9127N-14-2-0012-0014	4770	831,762		0
12.RD		W9127N-14-2-0012-0015	4770	257,196		0
12.RD		W912DW-14-2-0002-0005	4770	3,435		0
12.RD		W912DW-14-2-0002-0006	4770	34,861		0
<b>Federal Program 12.RD Total</b>				<b>37,402,055</b>	<b>1,133,904</b>	
<b>DOD Contract Number Only Provided Total</b>				<b>37,402,055</b>	<b>1,133,904</b>	
<b>Dept of Defense Total</b>				<b>111,812,115</b>	<b>8,618,944</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Research and Development**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.560	Secure Water Act - Research Agreements		3600	7,974	0	
<b>Federal Program 15.560 Total</b>				<b>7,974</b>	<b>0</b>	
<b>Bureau of Reclamation Total</b>				<b>7,974</b>	<b>0</b>	
15.650	Research Grants (Generic)		3650	115,575	0	
15.650			4770	1,011	0	
<b>Federal Program 15.650 Total</b>				<b>116,586</b>	<b>0</b>	
15.664	Fish and Wildlife Coordination and Assistance Prog		3650	33,005	0	
15.664			4770	11,362	0	
<b>Federal Program 15.664 Total</b>				<b>44,367</b>	<b>0</b>	
15.669	Cooperative Landscapte Conservation		3600	91,765	23,510	
<b>Federal Program 15.669 Total</b>				<b>91,765</b>	<b>23,510</b>	
<b>Fish and Wildlife Service Total</b>				<b>252,718</b>	<b>23,510</b>	
15.805	Assistance to State Water Resources Research Insti		3650	97,538	0	
<b>Federal Program 15.805 Total</b>				<b>97,538</b>	<b>0</b>	
15.807	Earthquake Hazards Program Assistance		3600	2,052,474	0	
15.807			3750	636,509	0	
15.807			3800	74,152	0	
15.807		2016.1	3800	9,229	0	PT
<b>Federal Program 15.807 Total</b>				<b>2,772,364</b>	<b>0</b>	
15.808	U.S. Geological Survey_ Research and Data Collecti		3600	310,482	0	
15.808			3650	58,929	0	
15.808			3700	30,170	0	
15.808			3800	59,753	0	
15.808			4610	62,099	0	
<b>Federal Program 15.808 Total</b>				<b>521,433</b>	<b>0</b>	
15.812	Cooperative Research Units Program		3600	394,992	27,602	
<b>Federal Program 15.812 Total</b>				<b>394,992</b>	<b>27,602</b>	
15.818	Volcano Hazards Prog Res & Monitoring		3600	228,129	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of the Interior**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 15.818 Total</b>				<b>228,129</b>	<b>0</b>	
<b>U.S. Geological Survey Total</b>				<b>4,014,456</b>	<b>27,602</b>	
15.945	Cooperative Research & Training Pgrom Resources Na		3600	495,524	0	
15.945			3650	226,559	0	
15.945			3750	11,528	0	
15.945			3800	86,204	0	
15.945			4900	58,125	19,843	
<b>Federal Program 15.945 Total</b>				<b>877,940</b>	<b>19,843</b>	
<b>National Park Service Total</b>				<b>877,940</b>	<b>19,843</b>	
15.RD	Department of the Interior - Unknown CFDA Number		3600	72,014	0	
15.RD		200082121 MOD01	3600	66,728	0	PT
15.RD		AVKE-00077	3600	20,000	0	PT
15.RD		P1880007	3600	100,067	0	PT
15.RD		PO18258 MOD02/AM01	3600	513,238	0	PT
15.RD		UW639375	3600	1,586	0	PT
<b>Federal Program 15.RD Total</b>				<b>773,633</b>	<b>0</b>	
<b>DOI Contract Number Only Provided Total</b>				<b>773,633</b>	<b>0</b>	
<b>Dept of the Interior Total</b>				<b>5,926,721</b>	<b>70,955</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Justice**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
16.560	National Institute of Justice Research, Evaluation		3600	822,050	219,464	
16.560		10386 AM01	3600	53,045	0	PT
16.560		10790 AM01	3600	57,858	0	PT
16.560		UW664160	3600	110,801	0	PT
16.560			3650	505,027	188	
16.560		4972WSUNIJ0055	3650	41,994	0	PT
<b>Federal Program 16.560 Total</b>				<b>1,590,775</b>	<b>219,652</b>	
<b>National Institute of Justice Total</b>				<b>1,590,775</b>	<b>219,652</b>	
<b>Dept of Justice Total</b>				<b>1,590,775</b>	<b>219,652</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of State**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
19.RD	Department of State - Unknown CFDA Number		3600	13,690	0	
19.RD		401UW MOD05	3600	6,477	0	PT
19.RD		DRCCGBVPRIUW7206601	3600	114,957	28,268	PT
19.RD		SUB-599 MOD03	3600	17,167	0	PT
<b>Federal Program 19.RD Total</b>				<b>152,291</b>	<b>28,268</b>	
<b>State Contract Number Only Provided Total</b>				<b>152,291</b>	<b>28,268</b>	
<b>Dept of State Total</b>				<b>152,291</b>	<b>28,268</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.108	Aviation Research Grants		3600	340,399	102,424	
20.108			4050	1,383,064	0	
<b>Federal Program 20.108 Total</b>				<b>1,723,463</b>	<b>102,424</b>	
20.109	Air Transportation Centers of Excellence		3600	534,502	80,084	
20.109			3650	721,278	23,946	
<b>Federal Program 20.109 Total</b>				<b>1,255,780</b>	<b>104,030</b>	
<b>Federal Aviation Administration (Faa) Total</b>				<b>2,979,243</b>	<b>206,454</b>	
20.200	Highway Research and Development Program	HR1091AMOD01SUB00009	3600	31,103	0	PT
20.200		HR1091AMOD02SUB00009	3600	83,822	65,811	PT
20.200		T 1461 TO #65	3600	2,580	0	PT
20.200			3650	169,383	0	
20.200		HR1305	3650	25,194	0	PT
20.200			4050	2,675,159	81,135	
<b>Federal Program 20.200 Total</b>				<b>2,987,241</b>	<b>146,946</b>	
<b>Federal Highway Administration (FHWA) Total</b>				<b>2,987,241</b>	<b>146,946</b>	
20.RD	Department of Transportation - Unknown CFDA Number	008742.007 AM02	3600	(2,228)	0	PT
20.RD		160140	3600	6,589	0	PT
20.RD		5909229 MOD01	3600	11,309	0	PT
20.RD		728595	3600	1,043	0	PT
20.RD		728595-A	3600	4,670	0	PT
20.RD		743493POUS001000074349	3600	11,950	0	PT
20.RD		RSGPROJECT14205MOD0	3600	28,614	0	PT
20.RD		S-002234-UW-00 MOD06	3600	10,040	0	PT
20.RD		TOPR 7_15-001-RR07-UW	3600	7,209	0	PT
20.RD		UW664604	3600	63,182	0	PT
20.RD		UW668314	3600	16,054	0	PT
<b>Federal Program 20.RD Total</b>				<b>158,432</b>	<b>0</b>	
<b>DOT Contract Number Only Provided Total</b>				<b>158,432</b>	<b>0</b>	
<b>Dept of Transportation Total</b>				<b>6,124,916</b>	<b>353,400</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**National Aeronautics & Space Admin**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
43.003	Exploration		3600	153,704	91,242	
<b>Federal Program 43.003 Total</b>				<b>153,704</b>	<b>91,242</b>	
43.009	Cross Agency Support		3600	45,514	0	
<b>Federal Program 43.009 Total</b>				<b>45,514</b>	<b>0</b>	
<b>National Aeronautic &amp; Space Administration Total</b>				<b>199,218</b>	<b>91,242</b>	
43.RD	National Aeronautics and Space Administration - Un		3600	188,918	47,413	
43.RD		#A121581 AM01	3600	76,790	0	PT
43.RD		12-0233 MOD07	3600	211,912	0	PT
43.RD		12-0233 MOD08	3600	244,398	0	PT
43.RD		1303809 MOD28	3600	61,550	0	PT
43.RD		1318945 MOD25	3600	188,741	0	PT
43.RD		1475635 PCC02	3600	141,836	0	PT
43.RD		1529015	3600	(12,860)	0	PT
43.RD		1542830 MOD07	3600	197,462	0	PT
43.RD		1583665	3600	11,592	0	PT
43.RD		1585843	3600	19,535	0	PT
43.RD		1587724 MOD01	3600	21,080	0	PT
43.RD		1609UWALPH2XPH3MOD	3600	224,210	0	PT
43.RD		1613496	3600	9,893	0	PT
43.RD		1616200	3600	15,625	0	PT
43.RD		1636-UW	3600	1,085	0	PT
43.RD		2003281677 AM02	3600	5,786	0	PT
43.RD		AMENDMENT 1	3600	(4,900)	0	PT
43.RD		HST-GO-12055.01-A AM09	3600	36,903	0	PT
43.RD		HST-GO-14072.007-A	3600	8,162	0	PT
43.RD		PO# 48654.1	3600	(5,897)	0	PT
43.RD		PY24261-22727-D AM32	3600	29,692	0	PT
43.RD		SC#1526158 MOD05	3600	27,378	0	PT
43.RD		SC-1652-001	3600	46,644	0	PT
43.RD		SPACEDOC-2 2017-001	3600	468,053	0	PT
43.RD		UW635285	3600	9,027	0	PT
<b>Federal Program 43.RD Total</b>				<b>2,222,615</b>	<b>47,413</b>	
<b>NASA Contract Number Only Provided Total</b>				<b>2,222,615</b>	<b>47,413</b>	
<b>National Aeronautics &amp; Space Admin Total</b>				<b>2,421,833</b>	<b>138,655</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
47.041	Engineering Grants		3600	15,501,421	1,922,226	
47.041		00009375 AM03	3600	180,487		0 PT
47.041		0190 G SA465 AM01	3600	74,392		0 PT
47.041		077966-15619 AM04	3600	50,422		0 PT
47.041		105584141	3600	20,618		0 PT
47.041		1122191-379633 AM02	3600	6,983		0 PT
47.041		124050-5104118 AM01	3600	22,681		0 PT
47.041		124050-5104118 AM03	3600	67,719		0 PT
47.041		1556900	3600	33,747		0 PT
47.041		479852-19124 MOD01	3600	81,931		0 PT
47.041		479852-19124A	3600	40,976		0 PT
47.041		A006827801	3600	67,493		0 PT
47.041		A126254	3600	24,926		0 PT
47.041		A138575UW SBIR-STTR	3600	6,373		0 PT
47.041		A16-0090-S001 AM01	3600	71,507		0 PT
47.041		EEC-144507 AM03	3600	2,379		0 PT
47.041		GR105156(CON-80001606)	3600	40,200		0 PT
47.041		RG758G3AM021626153006	3600	29,535		0 PT
47.041		S1738A-A AM04	3600	50,117		0 PT
47.041		UTA14-000587 AM03	3600	4,198		0 PT
47.041		UTA15-000857 AM03	3600	28,994		0 PT
47.041		UW635063	3600	16,557		0 PT
47.041		UW663965	3600	30,004		0 PT
47.041		UW668076	3600	57,402		0 PT
47.041		WU-19-255	3600	61,578		0 PT
47.041			3650	1,934,779	132,303	
47.041		3003760323	3650	4,795		0 PT
47.041		A120044S007	3650	4,930		0 PT
47.041			3800	2,825		0
47.041		260118A	6990	17,140		0 PT
<b>Federal Program 47.041 Total</b>				<b>18,537,109</b>	<b>2,054,529</b>	
47.049	Mathematical and Physical Sciences		3600	15,249,089	500,485	
47.049		0009390 AM01	3600	2,905		0 PT
47.049		0009390 AM02	3600	77,751		0 PT
47.049		183405376 AM01	3600	156,010		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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*For the Fiscal Year Ended  
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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.049	Mathematical and Physical Sciences	573250 AM01	3600	75,654		0 PT
47.049		7850410756AM02DMR1629	3600	109,885		0 PT
47.049		A022076 AM01	3600	81,570		0 PT
47.049		C14D11736(D01999)AM01	3600	3,736		0 PT
47.049		GK000242CON80000026A	3600	20,670		0 PT
47.049		N51948C AM05	3600	3,420,030		0 PT
47.049		PHY-1219444	3600	1,983		0 PT
47.049		RC104177UW AM04	3600	190,486		0 PT
47.049		S392490	3600	35,069		0 PT
47.049		T849870	3600	21,031		0 PT
47.049			3650	1,854,351	28,647	
47.049			3700	102,590		0
47.049			3750	68,717		0
47.049		3-8-710-890	3750	31,877		0 PT
47.049		OXY-CURM0002	3750	5,000		0 PT
47.049			3800	880,290		0
47.049		2018-74803	3800	6,309		0 PT
Federal Program 47.049 Total				22,395,003	529,132	
47.050	Geosciences		3600	25,530,132	674,967	
47.050		007439/12112018	3600	28,775		0 PT
47.050		07-UWA-SAGE AM05	3600	12,533		0 PT
47.050		104919401	3600	101,474		0 PT
47.050		14386AM04PRNSF1338810	3600	208,215		0 PT
47.050		18-352	3600	391,110		0 PT
47.050		182708UW	3600	50,201		0 PT
47.050		20C(GG009393) AM03	3600	18,783		0 PT
47.050		417238URFAOGR510782A	3600	61,649		0 PT
47.050		55591530 AM03	3600	22,191		0 PT
47.050		5857-UW-NSF-8934 AM01	3600	26,173		0 PT
47.050		80572-10906	3600	29,481		0 PT
47.050		91566589	3600	14,752		0 PT
47.050		A003176715AM011246761	3600	6,825		0 PT
47.050		A101293 AM01	3600	2,263		0 PT
47.050		A101400	3600	17,845		0 PT
47.050		A101400 AM01	3600	191,010		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.050	Geosciences	A101403	3600	5,588,444		0 PT
47.050		KK1641 AM03	3600	27,597		0 PT
47.050		SA 9-09	3600	3,345,964		0 PT
47.050		SA 9-09 MOD 65	3600	106,160		0 PT
47.050		SA 9-09 MOD 69	3600	2,575,652		0 PT
47.050		SU-19-1001-07-UWA TO01	3600	33,616		0 PT
47.050		SUB0000005 AM06	3600	640,335		0 PT
47.050		SUB0000005 AM09	3600	276,839		0 PT
47.050		SUBAWD000130 MOD02	3600	81,409		0 PT
47.050		Z1621925MOD02PAGS1541	3600	12,641		0 PT
47.050			3650	1,678,425	51,950	
47.050		18190166SUB	3650	5,164		0 PT
47.050		IBK289SB001	3650	233,195		0 PT
47.050		NWRA17S195	3650	17,947		0 PT
47.050		SUB0000169	3650	25,465		0 PT
47.050		WSU003361	3650	8,084		0 PT
47.050			3750	647,231		0
47.050		5862-CWU-NSF-8934	3750	2,276		0 PT
47.050		S10-EAR1261833-S2	3750	56,848		0 PT
47.050		S18-EAR1724794-S1	3750	45,617		0 PT
47.050			3800	465,560		0
47.050		217059WWU-YR2	3800	26,711		0 PT
47.050		53(GG009393) PO G11792	3800	1,579		0 PT
47.050		T350A77 / BA-77	3800	5,004		0 PT
47.050			6990	112,544		0
Federal Program 47.050 Total				42,733,719	726,917	
47.070	Computer and Information Science and Engineering		3600	14,626,923	397,519	
47.070		00009749 AM01	3600	12,579		0 PT
47.070		020016-16462	3600	8,094		0 PT
47.070		1122507-379498	3600	(1,318)		0 PT
47.070		1122670-409701	3600	4,200		0 PT
47.070		1549807 MOD06	3600	(124)		0 PT
47.070		1556133 AM01	3600	127,487		0 PT
47.070		201242-480	3600	10,083		0 PT
47.070		201242-480 AM02	3600	21,945		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.070	Computer and Information Science and Engineering	27338-Z4338001 AMC	3600	62,076	0	PT
47.070		56086-Z4322002 AM B	3600	78,902	0	PT
47.070		91563015 AM01	3600	8,600	0	PT
47.070		A006581303	3600	149,098	0	PT
47.070		POSTDOC002 AM002	3600	(5)	0	PT
47.070		S4742 - PO 263721	3600	3,238	0	PT
47.070		SUB0000281	3600	114,300	0	PT
47.070			3650	2,023,578	1,008	
47.070		19062062011806	3650	197,264	0	PT
47.070		Z0051A-B	3650	36,256	0	PT
47.070			3760	14,889	0	
47.070			3800	1,635	0	
47.070		15-203230-00-00	3800	7,649	0	PT
Federal Program 47.070 Total				17,507,349	398,527	
47.074	Biological Sciences		3600	6,497,600	192,952	
47.074		00009877 AM01	3600	4,937	0	PT
47.074		17-025 (1616821) AM01	3600	50,945	0	PT
47.074		3004946906	3600	1,307	0	PT
47.074		333-2379 AM01	3600	64,721	0	PT
47.074		3357/200201908	3600	27,470	0	PT
47.074		493174	3600	4,028	0	PT
47.074		61-2075UW AM03	3600	17,700	0	PT
47.074		61-2075UW AM05	3600	(161)	0	PT
47.074		61-2075UW AM12	3600	146	0	PT
47.074		612075UW AM16	3600	51,200	0	PT
47.074		612075UW AM18	3600	67,593	0	PT
47.074		612075UW AM20	3600	320,372	0	PT
47.074		C00050974-2 AM03	3600	147,288	0	PT
47.074		F-2017-140 AM02	3600	(275)	0	PT
47.074		J20161-1557186	3600	1,465	0	PT
47.074		S1713A-A AM03	3600	5,405	0	PT
47.074		WU-18-441	3600	11,729	0	PT
47.074			3650	7,215,867	2,456,926	
47.074		17014S1	3650	140,829	0	PT
47.074		20171	3650	253,698	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
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**Research and Development**

**National Science Foundation**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
47.074	Biological Sciences	2017978001	3650	32,184	0	PT
47.074		9500073626	3650	3,438	0	PT
47.074		AL3316SB875818	3650	1,913	0	PT
47.074		C000573932	3650	10,260	0	PT
47.074		C000622112	3650	25,533	0	PT
47.074			3700	24,382	0	
47.074		RR167-627/S000812	3750	71,692	0	PT
47.074			3760	269,191	0	
47.074			3800	91,143	0	
47.074		UAF 18-0059/P0521291	3800	154,910	0	PT
47.074			6990	3,475	0	
Federal Program 47.074 Total				15,571,985	2,649,878	
47.075	Social, Behavioral, and Economic Sciences		3600	2,962,047	118,800	
47.075		1122280-355037 AM03	3600	16,832	0	PT
47.075		28896-04459 SO1 AM02	3600	18,532	0	PT
47.075		SUBK00011150	3600	1,939	0	PT
47.075			3650	244,183	15,637	
47.075		SFI20160914	3650	30,630	0	PT
47.075			3800	187,701	0	
Federal Program 47.075 Total				3,461,864	134,437	
47.076	Education and Human Resources		3600	17,284,764	1,566,482	
47.076		0435600001	3600	195,806	0	PT
47.076		1554145 MOD03	3600	263,715	0	PT
47.076		1554735 AM01	3600	63,818	0	PT
47.076		1760002-760-UW	3600	13,597	0	PT
47.076		2008Z0B	3600	11,400	0	PT
47.076		21-0-1-488070-01 AM01	3600	37,027	0	PT
47.076		243050-1819	3600	9,997	0	PT
47.076		3-8-710-890	3600	19,777	0	PT
47.076		61462251-126900 AM02	3600	96,328	0	PT
47.076		DRL-1612739 MOD01	3600	11,058	0	PT
47.076		DRL-1612739 MOD04	3600	163,080	0	PT
47.076		F422805	3600	42,181	0	PT
47.076		KK1938	3600	134,223	0	PT
47.076		MUSC13-081 AM07	3600	1,937	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
47.076	Education and Human Resources	PRIME 1740089	3600	2,500		0 PT
47.076		S1666A-A AM05	3600	67,878		0 PT
47.076		UW BUD# 668101	3600	5,237		0 PT
47.076		UW630875	3600	84,035		0 PT
47.076		UW661728	3600	17,347		0 PT
47.076		UW668101	3600	24,302		0 PT
47.076			3650	2,227,988	116,816	
47.076		13890001	3650	83,193		0 PT
47.076		502391	3650	17,889		0 PT
47.076		CCURIYEARII20162017	3650	34,149		0 PT
47.076		DUE1700496WSU	3650	14,921		0 PT
47.076		KCTPS715	3650	21,992		0 PT
47.076		SA0000521	3650	21,078		0 PT
47.076		WSU003046	3650	7,631		0 PT
47.076		WSU003308	3650	67,370		0 PT
47.076			3700	351,310	6,469	
47.076		NSF-IUSE-AWARD#182150	3700	1,500		0 PT
47.076			3750	276,715		0
47.076		DUE-1125331	3750	27,858		0 PT
47.076			3760	106,050		0
47.076			3800	977,346		0
47.076		1102362	3800	10,138		0 PT
47.076		1826637 / WWU-18-2	3800	5,400		0 PT
47.076			6990	5,972,047		0
47.076		1356479-1	6990	36,915		0 PT
47.076		1601587	6990	18,578		0 PT
47.076		16170195SA	6990	12,109		0 PT
47.076		1660606	6990	6,469		0 PT
47.076		1700674	6990	45,746		0 PT
47.076		1T3A	6990	76,939		0 PT
47.076		763689	6990	12,503		0 PT
47.076		DUE1304405	6990	6,944		0 PT
47.076		LASER-TEC SCC 0001	6990	1,408		0 PT
<b>Federal Program 47.076 Total</b>				<b>28,992,193</b>	<b>1,689,767</b>	
47.078	Polar Programs		3600	183,315		0

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**Research and Development**

**National Science Foundation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 47.078 Total</b>				<b>183,315</b>	<b>0</b>	
47.079	Office of International Science and Engineering		3600	184,898	0	
47.079		FP065300-C AM01	3600	140,488	0	PT
47.079		OISE-9531011	3600	3,410	0	PT
47.079			3650	57,720	0	
47.079		OISE16627650A	3650	14,616	0	PT
47.079			3750	82,033	0	
<b>Federal Program 47.079 Total</b>				<b>483,165</b>	<b>0</b>	
<b>National Science Foundation Total</b>				<b>149,865,702</b>	<b>8,183,187</b>	
47.RD	NSF - Unknown CFDA Number	AM01	3600	70,874	0	PT
47.RD		UW668028	3600	60,906	0	PT
<b>Federal Program 47.RD Total</b>				<b>131,780</b>	<b>0</b>	
<b>NSF - Contract Number Only Provided Total</b>				<b>131,780</b>	<b>0</b>	
<b>National Science Foundation Total</b>				<b>149,997,482</b>	<b>8,183,187</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Environmental Protection Agency**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
66.034	Surveys, Studies, Research, Investigations, Demons	01J41301	3760	7,121	0	PT
66.034			4610	731,747	131,972	
<b>Federal Program 66.034 Total</b>				<b>738,868</b>	<b>131,972</b>	
<b>Office of Air and Radiation Total</b>				<b>738,868</b>	<b>131,972</b>	
66.509	Science to Achieve Results (Star) Research Program		3600	1,889,469	406,988	
66.509		1080358-364871 AM03	3600	34,297	0	PT
66.509		1080358-364872 AM01	3600	691	0	PT
66.509		1080358-364874 AM03	3600	134,194	0	PT
66.509		1080358-364876 AM03	3600	233,098	0	PT
66.509		1080358-364925 AM03	3600	69,726	0	PT
66.509			3650	265,502	0	
66.509		1125215081534	3650	3,271	0	PT
66.509		132958001	3650	(18)	0	PT
66.509		112521-5081532	3800	27,535	0	PT
<b>Federal Program 66.509 Total</b>				<b>2,657,765</b>	<b>406,988</b>	
66.514	Science to Achieve Results (Star) Fellowship Progr		3600	9,389	0	
66.514			3650	20,008	0	
<b>Federal Program 66.514 Total</b>				<b>29,397</b>	<b>0</b>	
<b>Office of Research and Development Total</b>				<b>2,687,162</b>	<b>406,988</b>	
66.RD	Environmental Protection Agy-Unknown CFDA Number	TAA18-003 MOD01	3600	66,543	15,653	PT
<b>Federal Program 66.RD Total</b>				<b>66,543</b>	<b>15,653</b>	
<b>EPA Contract Number Only Provided Total</b>				<b>66,543</b>	<b>15,653</b>	
<b>Environmental Protection Agency Total</b>				<b>3,492,573</b>	<b>554,613</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.049	Office of Science Financial Assistance		3600	20,380,675	1,010,295	
81.049		001035-7980 AM05	3600	32,781		0 PT
81.049		1(GG014496)	3600	432,686		0 PT
81.049		1553756 MOD02	3600	168,587		0 PT
81.049		2018-32 AM01	3600	140,984		0 PT
81.049		5108338 MOD01	3600	32,540		0 PT
81.049		A18-0354-S002-A01	3600	57,559		0 PT
81.049		C00055418-1 AM01	3600	68,286		0 PT
81.049		G140-15-W5072 AM03	3600	21,852		0 PT
81.049		UFDSP00012374	3600	4,763		0 PT
81.049		UW664900	3600	7,533		0 PT
81.049		UW802121	3600	17,270		0 PT
81.049			3650	3,363,370	575,587	
81.049		23009WS	3650	2,435		0 PT
81.049		23021W	3650	284,401		0 PT
81.049		2512150123011	3650	181,570		0 PT
81.049		740058874P	3650	100,700		0 PT
81.049		A003127004	3650	752		0 PT
81.049		AIWSUDESC0018898	3650	88,648		0 PT
81.049		BJKQ05SB001	3650	157,209		0 PT
81.049		E252GTA349	3650	13,667		0 PT
81.049		G11517W6230	3650	96,823		0 PT
81.049		G12318W5072	3650	139,486		0 PT
<b>Federal Program 81.049 Total</b>				<b>25,794,577</b>	<b>1,585,882</b>	
<b>Headquarters Office Total</b>				<b>25,794,577</b>	<b>1,585,882</b>	
81.057	University Coal Research		3600	50,784		0
<b>Federal Program 81.057 Total</b>				<b>50,784</b>	<b>0</b>	
<b>Office of Fossil Energy Total</b>				<b>50,784</b>	<b>0</b>	
81.086	Conservation Research and Development		3600	1,018,702		0
81.086		OSE-16-54 AM01	3600	76,497		0 PT
81.086		BPA CONTRAC#74488	3700	126,935		0 PT
81.086		BPA CONTRACT#75844	3700	416		0 PT
81.086		BPA CONTRAC#74488	3700	27,345		0 PT
<b>Federal Program 81.086 Total</b>				<b>1,249,895</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.087	Renewable Energy Research and Development		3600	1,121,600	0	
81.087		1010	3600	321	0	PT
81.087		401-20-25B	3600	11,591	0	PT
81.087		401-20-25B AM01	3600	11,591	0	PT
81.087		G0152A-B AM05	3600	276,263	0	PT
81.087		G0152A-B AM06	3600	6,908	0	PT
81.087		MA1158 AM04	3600	49,335	0	PT
81.087			3650	1,070,310	143,213	
81.087		06S170616	3650	74,275	0	PT
81.087		16777	3650	(964)	0	PT
81.087		4010115801	3650	61,057	0	PT
81.087		67687Z7036201	3650	63,347	0	PT
81.087		M1900171	3650	10,787	0	PT
81.087		PO 4700003546	3800	5,000	0	PT
81.087			4900	304,066	194,257	
<b>Federal Program 81.087 Total</b>				<b>3,065,487</b>	<b>337,470</b>	
<b>Energy Efficiency and Renewable Energy Total</b>				<b>4,315,382</b>	<b>337,470</b>	
81.089	Fossil Energy Research and Development	LGFCFS US DE-FE0023337	3600	(1,101)	0	PT
81.089		UTA17-000308 AM03	3600	44,660	0	PT
81.089			3650	80,739	0	
81.089		132086001	3650	12,804	0	PT
<b>Federal Program 81.089 Total</b>				<b>137,102</b>	<b>0</b>	
<b>Office of Fossil Energy Total</b>				<b>137,102</b>	<b>0</b>	
81.135	Advanced Research Projects Agency - Energy		3600	1,317,534	0	
81.135		1556660	3600	209,354	0	PT
81.135		UFDSP00012001 AM01	3600	89,574	0	PT
81.135			3650	304,269	0	
81.135		4012006C	3650	(1,677)	0	PT
81.135		UNIV58355	3650	197,020	0	PT
<b>Federal Program 81.135 Total</b>				<b>2,116,074</b>	<b>0</b>	
<b>Electricity Delivery &amp; Energy Reliab 1000 Total</b>				<b>2,116,074</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.214	Environmental Monitoring/Cleanup Cultural Rsrc Mgt		2450	773,464	635,875	
81.214			4610	3,025,711	0	
<b>Federal Program 81.214 Total</b>				<b>3,799,175</b>	<b>635,875</b>	
<b>Savannah River Operations Office Total</b>				<b>3,799,175</b>	<b>635,875</b>	
81.RD	Department of Energy - Unknown CFDA Number		3600	1,480,307	0	
81.RD		01-2019	3600	83,423	0	PT
81.RD		06-2018	3600	24,059	0	PT
81.RD		1679421 REV02	3600	85,979	0	PT
81.RD		168751	3600	46,918	0	PT
81.RD		1855616 AM01	3600	(1,422)	0	PT
81.RD		243766 TO 330280 MOD03	3600	23,595	0	PT
81.RD		243766 TO# 380775	3600	35,245	0	PT
81.RD		243766 TO# 400723	3600	22,647	0	PT
81.RD		243766 TO257527 MOD01	3600	52,508	0	PT
81.RD		243766 TO290383 MOD06	3600	2,461	0	PT
81.RD		243766TO245600MOD05	3600	(152)	0	PT
81.RD		243766TO352057MOD03	3600	2,020	0	PT
81.RD		252206 AM012	3600	(13,652)	0	PT
81.RD		252206 AM013	3600	117,718	0	PT
81.RD		320719 MOD02	3600	(2,015)	0	PT
81.RD		339224 AM02	3600	39,537	0	PT
81.RD		344693 AM02	3600	15,338	0	PT
81.RD		344773 AM02	3600	21,830	0	PT
81.RD		364211	3600	9,271	0	PT
81.RD		4000146123 MOD 09	3600	37,011	0	PT
81.RD		4000146123 MOD09	3600	213,332	0	PT
81.RD		4000158760 MOD01	3600	124,150	0	PT
81.RD		4000160100 MOD01	3600	30,000	0	PT
81.RD		436061 MOD03	3600	56,420	0	PT
81.RD		472094BAN285272MOD01	3600	18,391	0	PT
81.RD		507420	3600	45,410	0	PT
81.RD		520128	3600	62,174	0	PT
81.RD		716001-003 MOD01	3600	3,674	0	PT
81.RD		7374375 MOD07	3600	579,401	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
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**Research and Development**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.RD	Department of Energy - Unknown CFDA Number	7F-30111 MOD02	3600	116,059		0 PT
81.RD		8F-30037 MOD04	3600	58,732		0 PT
81.RD		8F-30064 M0001	3600	39,150		0 PT
81.RD		8F-30090	3600	4,245		0 PT
81.RD		94237401 AM02	3600	3,756		0 PT
81.RD		9F-60043	3600	50,982		0 PT
81.RD		B621663 MOD04	3600	71,717		0 PT
81.RD		CR289642 AM12	3600	423		0 PT
81.RD		CWC-038	3600	9,287		0 PT
81.RD		DSI-UW-2018-1	3600	93,205		0 PT
81.RD		FA123814	3600	3,374		0 PT
81.RD		MA 243766 TO 462266	3600	7,885		0 PT
81.RD		MA#243766 TO#339065	3600	729		0 PT
81.RD		MA#243766 TO#356518	3600	21,905		0 PT
81.RD		MA#243766 TO#417178	3600	34,898		0 PT
81.RD		MA#243766 TO#417778	3600	19,500		0 PT
81.RD		MA#243766 TO#445357	3600	22,525		0 PT
81.RD		MA#243766 TO#445360	3600	22,800		0 PT
81.RD		MA#243766 TO#456355	3600	38,465		0 PT
81.RD		MA#243766 TO#456356	3600	25,040		0 PT
81.RD		MA#243766 TO#463722	3600	4,957		0 PT
81.RD		MA#243766 TO#468365	3600	4,416		0 PT
81.RD		MA243766 TO450523	3600	78,813		0 PT
81.RD		MA243766TO292896MOD0	3600	31,647		0 PT
81.RD		MA243766TO303349MOD0	3600	30,000		0 PT
81.RD		MA243766TO345552MOD0	3600	9,981		0 PT
81.RD		MA243766TO348483MOD0	3600	51,276		0 PT
81.RD		MA243766TO354654MOD0	3600	1,013		0 PT
81.RD		MA243766TO358850MOD0	3600	11,110		0 PT
81.RD		MA243766TO402123MOD0	3600	90,762		0 PT
81.RD		MA243766TO403450MOD0	3600	17,000		0 PT
81.RD		MA243766TO406984REV1	3600	27,594		0 PT
81.RD		MA243766TO415934MOD0	3600	74,853		0 PT
81.RD		MA243766TO424177MOD0	3600	101,916		0 PT
81.RD		MA243766TO430753MOD0	3600	18,746		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Energy**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
81.RD	Department of Energy - Unknown CFDA Number	MA243766TO432000MOD0	3600	38,813		0 PT
81.RD		MA243766TO432652MOD0	3600	74,673		0 PT
81.RD		MA243766TO434804MOD0	3600	28,872		0 PT
81.RD		MASTER243766TASK3947	3600	16,165		0 PT
81.RD		PO #1935791	3600	47,897		0 PT
81.RD		PO#652197	3600	2,205		0 PT
81.RD		S015900-P AM01	3600	23,484		0 PT
81.RD		T.O. 269812 MOD03	3600	29,319		0 PT
81.RD		TASKORDER335418MOD0	3600	81,053		0 PT
81.RD		TO321938 MOD04	3600	116,000		0 PT
81.RD		TO386893MASTER243766	3600	333,108		0 PT
81.RD		TO386893MOD02MASTER	3600	193,465		0 PT
81.RD		UW631682	3600	49,913		0 PT
81.RD		UW800401	3600	(33,440)		0 PT
81.RD		UW802603	3600	2,435		0 PT
81.RD		UW807142	3600	46,713		0 PT
81.RD		UW807143	3600	37,184		0 PT
81.RD		UW807144	3600	38,895		0 PT
<b>Federal Program 81.RD Total</b>				<b>5,541,093</b>		<b>0</b>
<b>DOE Contract Number Only Provided Total</b>				<b>5,541,093</b>		<b>0</b>
<b>Dept of Energy Total</b>				<b>41,754,187</b>	<b>2,559,227</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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June 30, 2019  
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**Research and Development**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.022	Overseas Programs - Doctoral Dissertation Research		3600	114,124	0	
<b>Federal Program 84.022 Total</b>				<b>114,124</b>	<b>0</b>	
<b>Office of Postsecondary Education Total</b>				<b>114,124</b>	<b>0</b>	
84.133	National Institute on Disability and Rehabilitation		3650	2,664	0	
<b>Federal Program 84.133 Total</b>				<b>2,664</b>	<b>0</b>	
<b>Office of Special Education and Rehabilitative Ser Total</b>				<b>2,664</b>	<b>0</b>	
84.220	Centers for International Business Education		3600	252,001	0	
<b>Federal Program 84.220 Total</b>				<b>252,001</b>	<b>0</b>	
<b>Office of Postsecondary Education Total</b>				<b>252,001</b>	<b>0</b>	
84.305	Education Research, Development and Dissemination		3600	2,324,184	548,423	
84.305		0110503230MOD04PO13RR	3600	14,743	0	PT
84.305		03664 MOD04	3600	78,483	0	PT
84.305		0440100001 MOD01	3600	160,265	0	PT
84.305		29338SUB51803 AM03	3600	66,273	0	PT
84.305		A005236402 AM02	3600	75,764	0	PT
84.305		A005945201 AM01	3600	121,863	0	PT
84.305		AWD7772723GR205512AM	3600	97,692	0	PT
84.305		GM10155PO2108312AM03	3600	35,050	0	PT
84.305		UNIV58665AM03PRIOR34	3600	12,297	0	PT
84.305			3650	57,049	0	
84.305		411162670	3650	(19,891)	0	PT
84.305			6990	252,002	0	
<b>Federal Program 84.305 Total</b>				<b>3,275,774</b>	<b>548,423</b>	
<b>Office of Educational Research and Improvement Total</b>				<b>3,275,774</b>	<b>548,423</b>	
84.324	Research in Special Education		3600	691,389	8,662	
84.324		0391600101 MOD02	3600	4,327	0	PT
84.324		0438500001	3600	130,298	0	PT
84.324		250911 MOD02#G1500085	3600	5,165	0	PT
84.324		250911 MOD03	3600	186,672	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**Research and Development**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.324	Research in Special Education	UNIV59791 AM01	3600	88,069	0	PT
<b>Federal Program 84.324 Total</b>				<b>1,105,920</b>	<b>8,662</b>	
<b>Office of Special Education and Rehabilitative Ser Total</b>				<b>1,105,920</b>	<b>8,662</b>	
84.RD	Department of Education - Unknown CFDA Number	0347100004	3600	29,074	0	PT
84.RD		PO31603	3600	31,481	0	PT
<b>Federal Program 84.RD Total</b>				<b>60,555</b>	<b>0</b>	
<b>Education Contract Number Only Provided Total</b>				<b>60,555</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>4,811,038</b>	<b>557,085</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.061	Innovations in Applied Public Health Research		3600	580,655	0	
<b>Federal Program 93.061 Total</b>				<b>580,655</b>	<b>0</b>	
93.068	Chronic Diseases: Research, Control, and Preventi	5996.UWA.01 AM03	3600	133,252	0	PT
<b>Federal Program 93.068 Total</b>				<b>133,252</b>	<b>0</b>	
<b>Centers for Disease Control and Prevention Total</b>				<b>713,907</b>	<b>0</b>	
93.103	Food and Drug Administration_Research		3600	449,219	114,451	
93.103		417130GURFAOGR510683	3600	12,079	0	PT
93.103		417349GURFAOGR510804	3600	62,020	0	PT
93.103		A127475	3600	10,119	0	PT
93.103		A127475 AM01	3600	60,266	0	PT
93.103		GR103958CON80001361	3600	7,745	0	PT
93.103		GR104872CON80001524	3600	15,766	0	PT
93.103		UW BUD# 635476	3600	56,778	0	PT
93.103			3650	237,242	0	
93.103			4770	2,461	0	
93.103			4950	2,834,929	456,140	
<b>Federal Program 93.103 Total</b>				<b>3,748,624</b>	<b>570,591</b>	
<b>Food and Drug Administration Total</b>				<b>3,748,624</b>	<b>570,591</b>	
93.113	Environmental Health		3600	8,343,378	940,072	
93.113		00000910 AM03	3600	11,249	0	PT
93.113		00008559AM05POBB00480	3600	27,982	0	PT
93.113		1(GG013047)	3600	6,699	0	PT
93.113		1001472440 AM03	3600	15,969	0	PT
93.113		1019929 AM04	3600	8,676	0	PT
93.113		110056808 AM01	3600	48,935	0	PT
93.113		2002301818 AM06	3600	58,019	0	PT
93.113		2003249885 AM02	3600	54,200	0	PT
93.113		4500002762	3600	86,501	0	PT
93.113		80001140 AM02	3600	169,582	0	PT
93.113		GR104703CON80001507	3600	44,763	0	PT
93.113		SUBGRANT2	3600	87,461	0	PT
93.113		SUBK00010622	3600	32,413	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.113	Environmental Health	UW634383	3600	80,447	0	PT
93.113		UW662065	3600	79,776	0	PT
93.113		WU-16-168-MOD-3	3600	23,081	0	PT
93.113		WU-18-174 MOD-1	3600	291,418	0	PT
93.113		WU-19-91	3600	184,729	0	PT
93.113			3650	1,781,750	170,673	
<b>Federal Program 93.113 Total</b>				<b>11,437,028</b>	<b>1,110,745</b>	
93.121	Oral Diseases and Disorders Research		3600	3,411,327	414,427	
93.121		0000917826	3600	8,612	0	PT
93.121		0000965679	3600	48,440	0	PT
93.121		000412838-109	3600	107,075	0	PT
93.121		01029162 AM02	3600	12,668	0	PT
93.121		11411SUB MOD03	3600	101,866	0	PT
93.121		11527SUB MOD02	3600	13,756	0	PT
93.121		11956SUB	3600	9,003	0	PT
93.121		1350 G VD585 AM01	3600	9,548	0	PT
93.121		9648SC AM01	3600	9,653	0	PT
93.121		9648SC AM02	3600	93,923	0	PT
93.121		OOS100254-UW	3600	69,176	0	PT
93.121		SUBK00010464	3600	6,998	0	PT
93.121		UW BUD# 666626	3600	35,310	0	PT
93.121		UW633543	3600	39,967	0	PT
93.121		UWASH023810-2630 AM02	3600	181,162	0	PT
93.121		UWASH023810-2665	3600	5,855	0	PT
93.121		UWASH026186-2635 AM02	3600	141,534	0	PT
93.121		WASH020102-2640 AM01	3600	127,648	0	PT
<b>Federal Program 93.121 Total</b>				<b>4,433,521</b>	<b>414,427</b>	
<b>National Institutes of Health Total</b>				<b>15,870,549</b>	<b>1,525,172</b>	
93.135	Centers for Research and Demonstration for Health		3600	2,637,171	577,822	
93.135		S00635-01	3600	13,335	0	PT
<b>Federal Program 93.135 Total</b>				<b>2,650,506</b>	<b>577,822</b>	
93.136	Injury Prevention and Control Research and State A		3600	315,993	0	
93.136		FP00001573_SA001 AM02	3600	4,570	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
<b>Federal Program 93.136 Total</b>				<b>320,563</b>	<b>0</b>	
<b>Centers for Disease Control and Prevention Total</b>				<b>2,971,069</b>	<b>577,822</b>	
93.142	Niehs Hazardous Waste Worker Health and Safety Tra	2105 G HB431 AM05	3600	17,609	0	PT
93.142		2105 G TA258 AM04	3600	13,871	0	PT
93.142		2105 G TA258 AM05	3600	353,089	0	PT
93.142		UW675589	3600	10,000	0	PT
93.142		UW675590	3600	9,273	0	PT
<b>Federal Program 93.142 Total</b>				<b>403,842</b>	<b>0</b>	
93.143	Niehs Superfund Hazardous Substances_Basic Researc		3600	1,964,570	0	
<b>Federal Program 93.143 Total</b>				<b>1,964,570</b>	<b>0</b>	
<b>National Institutes of Health Total</b>				<b>2,368,412</b>	<b>0</b>	
93.155	Rural Health Research Centers		3600	713,522	0	
<b>Federal Program 93.155 Total</b>				<b>713,522</b>	<b>0</b>	
<b>Health Resources and Services Administration Total</b>				<b>713,522</b>	<b>0</b>	
93.172	Human Genome Research		3600	13,092,574	1,758,653	
93.172		1(GG014890-01)	3600	16,518	0	PT
93.172		147NH1C46551R43HG0102	3600	66,237	0	PT
93.172		160NH1C-4652	3600	25,725	0	PT
93.172		2017143412 AM01	3600	(24)	0	PT
93.172		2018-022 AM01	3600	64,005	0	PT
93.172		2019-073 AM01	3600	129,942	0	PT
93.172		210208-0817 AM07	3600	72,536	0	PT
93.172		61951263-134738 AM01	3600	9,773	0	PT
93.172		9936SC AM03	3600	504,751	0	PT
93.172		9936SC AM04	3600	417,378	0	PT
93.172		BD521791A AM03	3600	81,758	0	PT
93.172		BD521791A5U01HG009395	3600	182,528	0	PT
93.172		BD521791B AM04	3600	81,609	0	PT
93.172		OOS030229-UW	3600	5,541	0	PT
93.172		OOS030229-UW AM03	3600	679,251	0	PT
93.172		OOS030229-UW AM05	3600	34,720	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E	
93.172	Human Genome Research	OOS030229-UW-84046	3600	52,557	0	PT	
93.172		OOS030229-UW-84068	3600	39,485	0	PT	
93.172		OSP2017191 AM 4	3600	36,799	0	PT	
93.172		OSP2017191POWA0066546	3600	41,379	0	PT	
93.172		RNG002727BUDG04UW00	3600	722,453	0	PT	
93.172		RNG209827-BUDG01-UW-	3600	34,321	0	PT	
93.172		S380938	3600	60,382	0	PT	
93.172		UM1-UWASH-3 AM05	3600	105,869	0	PT	
93.172		UM1-UWASH-4 AM 6	3600	97,278	0	PT	
93.172		UW639300	3600	15,501	0	PT	
93.172		VUMC57005, AM3	3600	392,485	0	PT	
93.172		VUMC57005, AM4	3600	28,646	0	PT	
93.172		VUMC63906 AM01	3600	240,592	0	PT	
93.172		WU-18-296 MOD01	3600	79,075	0	PT	
93.172		WU-19-115 MOD-1	3600	41,681	0	PT	
93.172		WU-19-89-MOD-1	3600	668,566	0	PT	
93.172		WU19115MOD1PO2934479	3600	394,030	0	PT	
Federal Program 93.172 Total				18,515,921	1,758,653		
93.173	Research Related to Deafness and Communication DIS		3600	3,867,756	78,758		
93.173		0000946010	3600	80,384	0	PT	
93.173		0000986725	3600	51,703	0	PT	
93.173		0601146321	3600	324,678	56,686	PT	
93.173		0601146322 AM01	3600	9,948	0	PT	
93.173		1005685_UWA AM03	3600	7,089	0	PT	
93.173		1005685_UWA AM04	3600	522	0	PT	
93.173		260885-UW	3600	101,869	0	PT	
93.173		260885-UW AM 1	3600	78,541	0	PT	
93.173		FY19966001PO1001128171	3600	5,870	0	PT	
93.173		R02101	3600	9,165	0	PT	
93.173		SP0034193PROJ0009132A	3600	46,727	0	PT	
93.173		UNIV58647 AM04	3600	387,737	0	PT	
93.173		WU-18-45-MOD-3 AM03	3600	173,534	0	PT	
93.173			3650	483,719	156,004		
Federal Program 93.173 Total				5,629,242	291,448		

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.213	Research and Training in Complementary and Alterna		3600	3,029,080	1,014,656	
93.213		12051SUB	3600	10,443	0	PT
93.213		A030393	3600	66,072	0	PT
93.213		A039025	3600	23,006	0	PT
93.213		P005878802	3600	6,156	0	PT
93.213		RNG002837BUDG04UW01	3600	20,849	0	PT
93.213			3650	2,408,927	1,310,669	
93.213			3750	6,194	0	
<b>Federal Program 93.213 Total</b>				<b>5,570,727</b>	<b>2,325,325</b>	
<b>National Institutes of Health Total</b>				<b>29,715,890</b>	<b>4,375,426</b>	
93.225	National Research Service Awards_Health Services R		3600	358,333	0	
<b>Federal Program 93.225 Total</b>				<b>358,333</b>	<b>0</b>	
93.226	Research on Healthcare Costs, Quality and Outcomes		3600	2,552,426	203,483	
93.226		1005779_UWA AM02	3600	7,166	0	PT
93.226		5106820 AM03	3600	104,520	0	PT
93.226		RNG002678BUDG04UW01	3600	64,322	0	PT
93.226		RNG0026825-BUDG04-02	3600	39,877	0	PT
93.226		RNG209815-BUDG01-UW-	3600	67,413	0	PT
93.226		WA00600402OSP2017049A	3600	1,696	0	PT
93.226			3650	422,341	0	
<b>Federal Program 93.226 Total</b>				<b>3,259,761</b>	<b>203,483</b>	
<b>Agency for Health Care Policy and Research Total</b>				<b>3,618,094</b>	<b>203,483</b>	
93.233	National Center on Sleep Disorders Research		3650	383,339	0	
93.233		15002499	3650	17,557	0	PT
93.233		19007335	3650	5,596	0	PT
93.233		565843	3650	23,289	0	PT
<b>Federal Program 93.233 Total</b>				<b>429,781</b>	<b>0</b>	
<b>National Institutes of Health Total</b>				<b>429,781</b>	<b>0</b>	
93.239	Policy Research and Evaluation Grants	708K094 AM01	3600	54,427	0	PT
93.239		708K094 AM02	3600	38,680	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.239	Policy Research and Evaluation Grants	878K290	3600	2,284		0 PT
<b>Federal Program 93.239 Total</b>				<b>95,391</b>		<b>0</b>
<b>Office of the Secretary Total</b>				<b>95,391</b>		<b>0</b>
93.242	Mental Health Research Grants		3600	24,039,611	3,421,927	
93.242		0000948769	3600	38,449		0 PT
93.242		10955SUB MOD04	3600	132,379		0 PT
93.242		113065-0617-02B MOD2	3600	292		0 PT
93.242		11957SUB	3600	11,662		0 PT
93.242		1580 G VA719 AM01	3600	108,680		0 PT
93.242		17-M96	3600	13,052		0 PT
93.242		2000 G WE286	3600	7,780		0 PT
93.242		2004200844	3600	37,158		0 PT
93.242		203-6521	3600	(4,945)		0 PT
93.242		203-7475 AM01	3600	269,770		0 PT
93.242		223004 B.01 AM03	3600	45,840		0 PT
93.242		227381AM041R01MH10930	3600	70,927		0 PT
93.242		5111740	3600	16,137		0 PT
93.242		5113535	3600	15,600		0 PT
93.242		568643 AM 2	3600	28,296		0 PT
93.242		568643 AM03	3600	1,028		0 PT
93.242		576359	3600	40,773		0 PT
93.242		67277131 AM003	3600	82,557		0 PT
93.242		8925SC AM04	3600	13,631		0 PT
93.242		97774168 AM01	3600	19,864		0 PT
93.242		A006759602	3600	20,982		0 PT
93.242		A03-0524	3600	62,028		0 PT
93.242		A088684 AM06	3600	28,695		0 PT
93.242		A130027S00220112176203	3600	51,527		0 PT
93.242		AMENDMENT 2	3600	16,779		0 PT
93.242		GB10691.PO#2133382	3600	48,947		0 PT
93.242		GC10037-00-02	3600	39,428		0 PT
93.242		GR100245CON80000779A	3600	2,013		0 PT
93.242		GR102866CON80001336A	3600	422,760		0 PT
93.242		HM41SC-DS11SIBCR	3600	457		0 PT
93.242		HM41SC-SS21SIBCR	3600	29,387		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.242	Mental Health Research Grants	NIH-3P-UW-02 MOD 03	3600	7,112	1,293	PT
93.242		NIH-3P-UW-03 MOD04	3600	11,039	0	PT
93.242		NIH-3P-UW-04 MOD05	3600	113,648	6,888	PT
93.242		PRIME: 1R01MH114648-02	3600	24,060	0	PT
93.242		R752 AM03	3600	29,247	0	PT
93.242		R939 AM01	3600	4,761	0	PT
93.242		T740482 AM02	3600	15,991	0	PT
93.242		UFDSP00011760 AM02	3600	5,263	0	PT
93.242		UFDSP00011984 AM01	3600	6,733	0	PT
93.242		UKZN U19 2017 1 AM02	3600	182,997	0	PT
93.242		UKZN UI19 2017 1	3600	845	0	PT
93.242		UW BUD# 664164	3600	18,548	0	PT
93.242		UW638824	3600	13,321	0	PT
93.242		UW662103	3600	6,484	0	PT
93.242		UW662422	3600	903	0	PT
93.242		UW662424	3600	11,755	0	PT
93.242		WU-18-449 MOD01	3600	95,021	0	PT
93.242		WU-19-307	3600	2,617	0	PT
93.242			3650	810,317	256,282	
93.242		FY18001018	3650	219,023	0	PT
<b>Federal Program 93.242 Total</b>				<b>27,291,229</b>	<b>3,686,390</b>	
<b>National Institutes of Health Total</b>				<b>27,291,229</b>	<b>3,686,390</b>	
93.262	Occupational Safety and Health Program		2350	639,409	0	
93.262			3600	4,095,184	303,664	
93.262		1008844_UWA AM02	3600	(6,701)	0	PT
93.262		1008844_UWA AM03	3600	67,304	0	PT
93.262		UW632734	3600	12,554	0	PT
93.262			3650	(18,229)	0	
93.262		1004688401	3650	6,910	0	PT
93.262		M1803758	3650	16,421	0	PT
93.262		SR 3001-612-01 AMEND#7	3700	203,986	117,120	PT
<b>Federal Program 93.262 Total</b>				<b>5,016,838</b>	<b>420,784</b>	
<b>Centers for Disease Control and Prevention Total</b>				<b>5,016,838</b>	<b>420,784</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.272	Alcohol National Research Service Awards for Resea		3600	(4,041)	0	
<b>Federal Program 93.272 Total</b>				<b>(4,041)</b>	<b>0</b>	
93.273	Alcohol Research Programs		3600	6,309,111	1,074,755	
93.273		000512064-001 AM-A03	3600	70,232	0	PT
93.273		000512064-001 AM01	3600	45,567	0	PT
93.273		18-311	3600	4,450	0	PT
93.273		20183185	3600	19,996	0	PT
93.273		5K24AA022128-UW AM02	3600	6,646	0	PT
93.273		69951-10233 AM05	3600	49,678	0	PT
93.273		7017137290-1 AM01	3600	18,111	0	PT
93.273		806K374 AM01	3600	21,345	0	PT
93.273		9132-8389 AM03	3600	94,916	0	PT
93.273		A007398902	3600	25,406	0	PT
93.273		ASUB00000065 AM01	3600	20,301	0	PT
93.273		BMC ID 6205 AM01	3600	24,251	0	PT
93.273		BMC ID# 6205	3600	8,957	0	PT
93.273		GR101364AMEND1CON80	3600	1,656	0	PT
93.273		GR101768CON80001081	3600	920	0	PT
93.273		GR104303CON80001425A	3600	1,765	0	PT
93.273		GR104479CON80001450A	3600	1,760	0	PT
93.273		RF00120-2018-0149	3600	3,565	0	PT
93.273		RF00121-2018-0166 AM01	3600	14,588	0	PT
93.273		RF00123-2018-0189 AM 1	3600	44,699	0	PT
93.273		RF00123-2018-0189 AM03	3600	40,856	0	PT
93.273		RF00143-2018-0407	3600	58,909	0	PT
93.273		SA0000640	3600	37,316	0	PT
93.273		T814971	3600	(354)	0	PT
93.273		T969838AM25U01AA02610	3600	148,073	0	PT
93.273			3650	3,334,501	819,330	
93.273		10532SC	3650	21,381	0	PT
<b>Federal Program 93.273 Total</b>				<b>10,428,602</b>	<b>1,894,085</b>	
93.279	Drug Abuse and Addiction Research Programs		3600	14,028,938	1,235,041	
93.279		00001143 AM02	3600	63,444	0	PT
93.279		00001314	3600	16,579	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.279	Drug Abuse and Addiction Research Programs	0000909950	3600	(1,281)		0 PT
93.279		0000916631 AM01	3600	(362)		0 PT
93.279		0000956904 AM01	3600	108,051		0 PT
93.279		000517103-003	3600	75,967		0 PT
93.279		1-312-0216634-65463L	3600	4,559		0 PT
93.279		10045277-01	3600	21,822		0 PT
93.279		1011286_UWA	3600	1,858		0 PT
93.279		1011286_UWA AMD 2	3600	3,722		0 PT
93.279		2018114450 AM01	3600	32,092		0 PT
93.279		4457 AM05	3600	40,444		0 PT
93.279		61875882AM065P01DA035	3600	167,069		0 PT
93.279		97015-B AM02	3600	15,370		0 PT
93.279		AM01PRIME1R44DA04405	3600	133,158		0 PT
93.279		ERS# 21987-44197	3600	4,713		0 PT
93.279		PRIMER01DA04212402AM	3600	18,285		0 PT
93.279		PRIMER01DA04212402AM	3600	6,244		0 PT
93.279		R908941 AM04	3600	17,111		0 PT
93.279		SPC-000803	3600	235,797		0 PT
93.279		SPC-000803 AM02	3600	117,794		0 PT
93.279		T855321AM011R01DA0456	3600	19,663		0 PT
93.279		UW BUD# 666325	3600	15,244		0 PT
93.279		UW637723	3600	41,479		0 PT
93.279		UW639344	3600	590		0 PT
93.279			3650	1,853,393	579,004	
93.279		011130003	3650	13,904		0 PT
93.279		13400212645	3650	3,640		0 PT
93.279		5034602	3650	80,531		0 PT
93.279			3800	91,636		0
<b>Federal Program 93.279 Total</b>				<b>17,231,454</b>	<b>1,814,045</b>	
93.282	Mental Health National Research Service Awards for		3600	(2,690)		0
<b>Federal Program 93.282 Total</b>				<b>(2,690)</b>	<b>0</b>	
93.286	Discovery and Applied Research for Technological I		3600	8,885,880	1,162,091	
93.286		BL4648731UW AM01	3600	36,182		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.286	Discovery and Applied Research for Technological I	UTA17-000891 AM02	3600	28,918		0 PT
93.286			3650	147,291		0
<b>Federal Program 93.286 Total</b>				<b>9,098,271</b>	<b>1,162,091</b>	
93.307	Minority Health and Health Disparities Research		3600	2,051,472	364,816	
93.307		1(GG011834-04) AM06	3600	119,640		0 PT
93.307		1(GG011834-05)	3600	46,677		0 PT
93.307		1(GG011834-06) AM07	3600	24,818		0 PT
93.307		227351 AM04	3600	11,583		0 PT
93.307		5109073 MOD02	3600	122,479		0 PT
93.307		5109076 AM01	3600	115,404		0 PT
93.307		OSP2017201 AM02	3600	50,782		0 PT
93.307			3650	1,635,190	917,006	
93.307		2017033	3650	(12,257)		0 PT
93.307		FY18001024	3650	26,268		0 PT
93.307		GAR55102178	3650	318,151		0 PT
93.307		RS2015231801	3650	(520)		0 PT
<b>Federal Program 93.307 Total</b>				<b>4,509,687</b>	<b>1,281,822</b>	
93.310	Trans-NIH Research Support		3600	9,082,878	2,726,113	
93.310		311196 AM01	3600	35,005		0 PT
93.310		311197	3600	9,747		0 PT
93.310		500534-78050 AM01	3600	115,482		0 PT
93.310		56102255500000695AM09	3600	177,694		0 PT
93.310		6366-SO1 MOD03	3600	23,516		0 PT
93.310		6366-SO1 MOD04	3600	70,918		0 PT
93.310		800109 AM02	3600	34,422		0 PT
93.310		800110 AM02	3600	9,788		0 PT
93.310		800175 AM03	3600	107,357		0 PT
93.310		A18-0757-S005-P0688013	3600	63,163		0 PT
93.310		S408790	3600	184,902		0 PT
93.310		UW637163	3600	131,286		0 PT
93.310			3650	236,167		0
93.310			6990	20,129		0
<b>Federal Program 93.310 Total</b>				<b>10,302,454</b>	<b>2,726,113</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.350	National Center for Advancing Translational Science		3600	13,788,650	2,891,172	
93.350		0055353 (130920-37)	3600	94,499		0 PT
93.350		1011902_UWA	3600	7,053		0 PT
93.350		1011902_UWA AM01	3600	741,565		0 PT
93.350		12105SUB	3600	16,518		0 PT
93.350		153185.5113026.0111	3600	3,818		0 PT
93.350		16A00000700001AM01	3600	50,188		0 PT
93.350		2018-3590	3600	39,200		0 PT
<b>Federal Program 93.350 Total</b>				<b>14,741,491</b>	<b>2,891,172</b>	
93.351	Research Infrastructure Programs		3600	26,489,487	138,091	
93.351		1008419_UWA AM02	3600	34,315		0 PT
93.351		1008419_UWA AM1	3600	(411)		0 PT
93.351		SPC-000853	3600	316,167		0 PT
<b>Federal Program 93.351 Total</b>				<b>26,839,558</b>	<b>138,091</b>	
93.361	Nursing Research		3600	3,161,476	357,449	
93.361		11964SUB	3600	17,605		0 PT
93.361		2016-158	3600	18,451		0 PT
93.361		3RZ32 AM03	3600	93,262		0 PT
93.361		5106244 AM03	3600	154,871		0 PT
93.361		5112454	3600	20,220		0 PT
93.361		FY19.105.004/2-5-A6980	3600	9,925		0 PT
93.361		PO#7000000671	3600	112,434		0 PT
93.361		RES513808	3600	58,108		0 PT
93.361			3650	359,949		0
93.361		5106247	3650	25,156		0 PT
<b>Federal Program 93.361 Total</b>				<b>4,031,457</b>	<b>357,449</b>	
93.393	Cancer Cause and Prevention Research		3600	6,763,522	1,155,582	
93.393		0000915889	3600	10,401		0 PT
93.393		0000915889 MOD01	3600	12,311		0 PT
93.393		0000915891	3600	4,839		0 PT
93.393		0000915893	3600	8,034		0 PT
93.393		0000916112	3600	17,404		0 PT
93.393		0000916357	3600	8,394		0 PT
93.393		00009182101U01CA217883	3600	11,426		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.393	Cancer Cause and Prevention Research	0000918479	3600	2,567	0	PT
93.393		0000928697	3600	654,514	0	PT
93.393		0000928782 AM01	3600	16,835	0	PT
93.393		0000930106 AM02	3600	247,679	0	PT
93.393		0000936645	3600	7,822	0	PT
93.393		0000938578	3600	23,115	0	PT
93.393		0000938581	3600	27,553	0	PT
93.393		0000938583	3600	19,082	0	PT
93.393		0000938584	3600	27,924	0	PT
93.393		0000938585	3600	7,709	0	PT
93.393		0000938602	3600	15,751	0	PT
93.393		0000940775	3600	12,266	0	PT
93.393		0000940776	3600	8,836	0	PT
93.393		0000954435	3600	39,963	0	PT
93.393		0000956388 AM01	3600	51,563	0	PT
93.393		0000966302	3600	66,098	0	PT
93.393		0000967418	3600	23,875	0	PT
93.393		0000969098	3600	11,925	0	PT
93.393		0000975148	3600	51,194	0	PT
93.393		0000975149	3600	151,487	0	PT
93.393		0000975442	3600	78,107	0	PT
93.393		0000976610	3600	2,656	0	PT
93.393		0000977455	3600	22,987	0	PT
93.393		0000978723	3600	2,537	0	PT
93.393		0000980371	3600	4,649	0	PT
93.393		0000980373	3600	7,372	0	PT
93.393		0000980423	3600	1,778	0	PT
93.393		0000980424	3600	2,680	0	PT
93.393		10043057-02 AM02	3600	20,393	0	PT
93.393		11042SUB MOD05	3600	89,711	0	PT
93.393		116071-5089696 AM06	3600	14,085	0	PT
93.393		116071-5089696 AM07	3600	136,191	0	PT
93.393		1557 G VC172 AM01	3600	258,711	0	PT
93.393		1557 G WA025	3600	108,072	0	PT
93.393		16-837 AM05	3600	75,451	0	PT
93.393		17-093 AM03	3600	29,206	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.393	Cancer Cause and Prevention Research	201603696-13, AM1	3600	88,924	0	PT
93.393		321072PO961593RSUBAM	3600	102,996	0	PT
93.393		44956 AM02	3600	18,009	0	PT
93.393		6(GG012814-01) AM01	3600	56,234	0	PT
93.393		AH000632 AM02	3600	37,741	0	PT
93.393		UW635223	3600	1,839	0	PT
93.393		UW638915	3600	11,542	0	PT
93.393		UWCA237153	3600	1,891	0	PT
93.393			3650	640,147	72,490	
Federal Program 93.393 Total				10,117,998	1,228,072	
93.394	Cancer Detection and Diagnosis Research		3600	4,917,780	688,806	
93.394		0000937268 AM01	3600	16,211	0	PT
93.394		0000939752 AM01	3600	159,215	0	PT
93.394		0000940026	3600	101,860	0	PT
93.394		0000947176	3600	9,259	0	PT
93.394		0000951725	3600	78,056	0	PT
93.394		0000952116 AM01	3600	12,362	0	PT
93.394		0000981191	3600	4,983	0	PT
93.394		10048SC AM02	3600	24,932	0	PT
93.394		11124SC	3600	12,378	0	PT
93.394		1557 G VB811 AM01	3600	90,569	0	PT
93.394		164145/163478 AM03	3600	9,006	0	PT
93.394		1671 AM05	3600	7,566	0	PT
93.394		1671, AMENDMENT 4	3600	50,572	0	PT
93.394		180357-03 AM03	3600	10,342	0	PT
93.394		183677-03 AM04	3600	87,166	0	PT
93.394		569007 AM02	3600	11,678	0	PT
93.394		569007 AM03	3600	4,180	0	PT
93.394		5710004063 AM03	3600	275,806	0	PT
93.394		9770SC AM02	3600	65,349	0	PT
93.394		A025074 AM02	3600	32,679	0	PT
93.394		IG114SCWN14SIBCRM0D	3600	48,611	0	PT
93.394		K001416-00-S01 MOD3	3600	126,056	0	PT
93.394		TSUW-02	3600	127,750	0	PT
93.394		UW638851	3600	59,060	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.394	Cancer Detection and Diagnosis Research	UW639366	3600	10,485	0	PT
93.394		UW639600	3600	50,541	0	PT
93.394		W000893975PO1001713589	3600	55,479	0	PT
93.394			3650	181,144	0	
<b>Federal Program 93.394 Total</b>				<b>6,641,075</b>	<b>688,806</b>	
93.395	Cancer Treatment Research		3600	2,080,437	466,589	
93.395		0000910144 AM01	3600	(1,700)	0	PT
93.395		0000915994	3600	8,305	0	PT
93.395		0000919075 AM01	3600	1,025	0	PT
93.395		0000926778	3600	55,704	0	PT
93.395		0000933273 AM01	3600	87,827	0	PT
93.395		0000933644	3600	(2,319)	0	PT
93.395		0000935334 AM01	3600	84,658	0	PT
93.395		0000940802	3600	52,581	0	PT
93.395		0000944765 AM01	3600	41,882	0	PT
93.395		0000947289	3600	9,153	0	PT
93.395		0000954064	3600	14,732	0	PT
93.395		0000960491	3600	62,219	0	PT
93.395		0000973594	3600	236,798	0	PT
93.395		0000974636	3600	6,489	0	PT
93.395		0000978583	3600	1,654	0	PT
93.395		0000983567	3600	20,397	0	PT
93.395		0307703S01	3600	(1,446)	0	PT
93.395		0307703S01-A01	3600	(1,702)	(1,569)	PT
93.395		0307703S01-A01	3600	15,222	1,569	PT
93.395		11512SUB MOD03	3600	14,184	0	PT
93.395		11539SUB MOD02	3600	3,712	0	PT
93.395		11539SUB MOD03	3600	252,775	0	PT
93.395		11540SUB MOD03	3600	3,284	0	PT
93.395		11572SUB AM03	3600	15,242	0	PT
93.395		2016-01#A113106	3600	4	0	PT
93.395		2016.0002 AM03	3600	89,116	0	PT
93.395		2M18022-1-UW	3600	100,867	0	PT
93.395		600532003607669302AM02	3600	62,847	0	PT
93.395		9009627 UWA AM04	3600	63,106	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.395	Cancer Treatment Research	9009627-003_UWA AM 3	3600	9,685	0	PT
93.395		BW217BW21SIBCR	3600	132	0	PT
93.395		GJ13GJ11SIBCR-MOD1	3600	32	0	PT
93.395		GJ13GJ12SIBCR MOD1	3600	13,384	0	PT
93.395		GJ13GJ13SIBCR	3600	4,461	0	PT
93.395		GJ13LEE12SIBCR MOD 1	3600	734	0	PT
93.395		GJ15GJ13SIBCR	3600	12,816	0	PT
93.395		PRIME1R43CA22165901	3600	(18,033)	0	PT
93.395		R01 CA 189163 AM11	3600	12,763	0	PT
93.395		RK444-G1	3600	23,288	0	PT
93.395		U10CA180820-05-WASH4	3600	19,998	0	PT
93.395		U10CA18082001WASH1A	3600	14,428	0	PT
93.395		U10CA18082002WASH3A	3600	6,599	0	PT
93.395		UNI-198769-05 AM06	3600	42,511	0	PT
93.395		UNI-198769-07 AM07	3600	17,832	0	PT
93.395		UW636337	3600	29,763	0	PT
93.395		UW639223	3600	1,681	0	PT
93.395			3650	227,956	0	
93.395		11515SUB	3650	12,751	0	PT
<b>Federal Program 93.395 Total</b>				<b>3,809,834</b>	<b>466,589</b>	
93.396	Cancer Biology Research		3600	2,152,110	254,716	
93.396		0000924194	3600	2,577	0	PT
93.396		0000957456	3600	10,271	0	PT
93.396		01029664 AM05	3600	59,626	0	PT
93.396		18-A1-00-1000999	3600	57,094	0	PT
93.396		60068579	3600	52,268	0	PT
93.396		WA00612953RFS2016027A	3600	3,636	0	PT
93.396			3650	252,315	0	
<b>Federal Program 93.396 Total</b>				<b>2,589,897</b>	<b>254,716</b>	
93.397	Cancer Centers Support Grants	0000900210	3600	5,137	0	PT
93.397		0000905478	3600	3,295	0	PT
93.397		0000906601	3600	17,260	0	PT
93.397		0000908798 AM02	3600	1,970	0	PT
93.397		0000917017 AM01	3600	16,499	0	PT
93.397		0000917643	3600	46,154	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.397	Cancer Centers Support Grants	0000917652	3600	7,649		0 PT
93.397		0000923895	3600	15,662		0 PT
93.397		0000923896	3600	70,952		0 PT
93.397		00009239095P50CA097186	3600	43,476		0 PT
93.397		0000923910	3600	3,013		0 PT
93.397		0000923911 AM01	3600	45,912		0 PT
93.397		0000928110 AM01	3600	127,614		0 PT
93.397		0000928112 AM01	3600	12,743		0 PT
93.397		0000928113 AM01	3600	160,837		0 PT
93.397		0000928114 AM1	3600	62,688		0 PT
93.397		0000928115 AM1	3600	58,200		0 PT
93.397		0000928116 AM02	3600	181,086		0 PT
93.397		0000928117 AM01	3600	15,502		0 PT
93.397		0000930664 AM01	3600	29,171		0 PT
93.397		0000938520	3600	76		0 PT
93.397		0000938525	3600	5,376		0 PT
93.397		0000938539	3600	1,260		0 PT
93.397		0000938587	3600	9,242		0 PT
93.397		0000938589	3600	46,425		0 PT
93.397		0000938754	3600	11,182		0 PT
93.397		0000938899	3600	48,085		0 PT
93.397		0000938900	3600	8,623		0 PT
93.397		0000938901	3600	11,798		0 PT
93.397		0000938954	3600	(28,635)		0 PT
93.397		0000939660	3600	69,972		0 PT
93.397		0000939738	3600	45,075		0 PT
93.397		0000939750	3600	39,818		0 PT
93.397		0000939751	3600	31,681		0 PT
93.397		0000939753	3600	1,364		0 PT
93.397		0000939771	3600	135		0 PT
93.397		0000939828	3600	49,213		0 PT
93.397		0000940822	3600	34,248		0 PT
93.397		0000946060 AM01	3600	14,681		0 PT
93.397		0000948347	3600	4,179		0 PT
93.397		0000954930	3600	50,000		0 PT
93.397		0000955270	3600	6,501		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.397	Cancer Centers Support Grants	0000955910	3600	15,835	0	PT
93.397		0000956821	3600	17,902	0	PT
93.397		0000957819	3600	8,800	0	PT
93.397		0000957961	3600	127,887	0	PT
93.397		0000958053	3600	11,758	0	PT
93.397		0000958170	3600	152,546	0	PT
93.397		0000961759	3600	910	0	PT
93.397		0000963455	3600	149,114	0	PT
93.397		0000963456	3600	213,790	0	PT
93.397		0000963457	3600	6,053	0	PT
93.397		0000963459	3600	73,452	0	PT
93.397		0000964115	3600	47,919	0	PT
93.397		0000964121	3600	4,078	0	PT
93.397		0000974245	3600	38,328	0	PT
93.397		0000975529	3600	15,557	0	PT
93.397		0000975644	3600	61,552	0	PT
93.397		0000977579	3600	107,537	0	PT
93.397		0000977580	3600	56,245	0	PT
93.397		0000977593	3600	113,075	0	PT
93.397		0000978703	3600	33,428	0	PT
93.397		0000979143	3600	8,187	0	PT
93.397		0000979144	3600	5,485	0	PT
93.397		0000979146	3600	8,504	0	PT
93.397		0000979302	3600	6,571	0	PT
93.397		0000979309	3600	6,305	0	PT
93.397		0000979310	3600	1,806	0	PT
93.397		0000979390	3600	19,492	0	PT
93.397		0000979972	3600	11,646	0	PT
93.397		0000980983	3600	206,047	0	PT
93.397		0000983563	3600	18,711	0	PT
93.397		0000984332	3600	94,733	0	PT
93.397		000943187	3600	41,931	0	PT
93.397		2018.0009	3600	110,105	0	PT
93.397		3004538756	3600	(26,615)	0	PT
93.397		3004538756 AM01	3600	56,166	0	PT
93.397		3004538756 AM02	3600	131,362	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.397	Cancer Centers Support Grants	SA1901500	3600	26,561	0	PT
93.397		UW636507	3600	38,251	0	PT
93.397		UW637014	3600	29,786	0	PT
93.397			3650	(16,251)	0	
<b>Federal Program 93.397 Total</b>				<b>3,419,668</b>	<b>0</b>	
93.398	Cancer Research Manpower		3600	3,000,385	13,301	
<b>Federal Program 93.398 Total</b>				<b>3,000,385</b>	<b>13,301</b>	
93.399	Cancer Control	PRIME1R41CA21745201A1	3600	118,980	0	PT
<b>Federal Program 93.399 Total</b>				<b>118,980</b>	<b>0</b>	
<b>National Institutes of Health Total</b>				<b>126,874,080</b>	<b>14,916,352</b>	
93.564	Child Support Enforcement Research		3000	343,530	36,689	
<b>Federal Program 93.564 Total</b>				<b>343,530</b>	<b>36,689</b>	
<b>Administration for Children and Families Total</b>				<b>343,530</b>	<b>36,689</b>	
93.610	Health Care Innovation Awards (Hcia)	AM03	3600	(7,267)	0	PT
<b>Federal Program 93.610 Total</b>				<b>(7,267)</b>	<b>0</b>	
<b>Centers for Medicare and Medicaid Services Total</b>				<b>(7,267)</b>	<b>0</b>	
93.647	Social Services Research and Demonstration		3600	62,947	0	
<b>Federal Program 93.647 Total</b>				<b>62,947</b>	<b>0</b>	
<b>Administration for Children and Families Total</b>				<b>62,947</b>	<b>0</b>	
93.837	Cardiovascular Diseases Research		3600	31,164,281	5,885,752	
93.837		0000872675 AM01	3600	(1,401)	0	PT
93.837		0001476626 AM02	3600	4,793	0	PT
93.837		000509971-001 AM A04	3600	14,630	0	PT
93.837		000512650-001 AM02	3600	23,700	0	PT
93.837		000518176-001 AM A05	3600	201,016	0	PT
93.837		0012348C	3600	21,690	0	PT
93.837		001501 AM04	3600	10,398	0	PT
93.837		00530321289961AM01	3600	22,610	0	PT
93.837		0255-7514-4609	3600	4,582	0	PT
93.837		080-18007-S27801AM1	3600	292,981	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.837	Cardiovascular Diseases Research	1(GG010998-07) AM04	3600	53,971		0 PT
93.837		10019000001HH4010AM02	3600	83,086		0 PT
93.837		1005697_UW AM03	3600	43,487		0 PT
93.837		101330A AM04	3600	(49)		0 PT
93.837		112042030-7767142 AM03	3600	(38)		0 PT
93.837		112042040-7826185 AM04	3600	12,064		0 PT
93.837		11351SUB MOD06	3600	94,042		0 PT
93.837		1373766	3600	7,556		0 PT
93.837		16993 AM01	3600	32,031		0 PT
93.837		17356	3600	29,168		0 PT
93.837		177494218214226028AM01	3600	21,426		0 PT
93.837		2003928666	3600	109,302		0 PT
93.837		2003928666 AM01	3600	20,937		0 PT
93.837		2004073037	3600	28,679		0 PT
93.837		203-8487 AM01	3600	59,678		0 PT
93.837		3(GG011046-04) AM03	3600	93,298		0 PT
93.837		3200000735-17-036 AM02	3600	7,291		0 PT
93.837		5113177	3600	4,776		0 PT
93.837		60043933 UW AM02	3600	37,415		0 PT
93.837		60059645 AM02	3600	(9,785)		0 PT
93.837		60059645 AM03	3600	(2,871)		0 PT
93.837		60064759	3600	437,034		0 PT
93.837		60071090 AM01	3600	28,161		0 PT
93.837		60071091 AM01	3600	4,220		0 PT
93.837		867K764	3600	20,774		0 PT
93.837		9102SC AM03	3600	184,523		0 PT
93.837		A039010	3600	91,121		0 PT
93.837		A130787	3600	134,018		0 PT
93.837		AM01	3600	127,526		0 PT
93.837		CNVA000504701273911AM	3600	171,792		0 PT
93.837		FP065347-02-PR	3600	32,654		0 PT
93.837		GB10586.159200	3600	24,957		0 PT
93.837		GR105731CON80001726	3600	25,228		0 PT
93.837		HH5920 AM01	3600	166,246		0 PT
93.837		M14A11810(A09626) AM04	3600	68,600		0 PT
93.837		MOD 04	3600	9,302		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.837	Cardiovascular Diseases Research	N005339720 AM01	3600	22,067		0 PT
93.837		OOS030150-UOW-02 AM03	3600	305,365		0 PT
93.837		P005875701, AM1	3600	32,086		0 PT
93.837		PS#224978 MOD06	3600	45,220		0 PT
93.837		R44HL127543-03	3600	66,713		0 PT
93.837		RC109668UW	3600	10,442		0 PT
93.837		S00450-01	3600	4,892		0 PT
93.837		S00450-01 AM01	3600	2,831		0 PT
93.837		SPS162060SITE070AM04	3600	(9,027)		0 PT
93.837		UW638572	3600	8,717		0 PT
93.837		VUMC 59443 AM 3	3600	66,958		0 PT
93.837		VUMC 59733	3600	561,219		0 PT
93.837		VUMC 59733 AMEND 1	3600	267,388		0 PT
93.837		VUMC 59733 AMEND 2	3600	1,022		0 PT
93.837		VUMC58612 AM01	3600	53,660		0 PT
93.837		VUMC58612 AM02	3600	74,928		0 PT
93.837		VUMC58612 AM03	3600	14,361		0 PT
93.837		WFUHS 114488, AM02	3600	(5)		0 PT
93.837		WFUHS 114489 AM03	3600	86,675		0 PT
93.837		WFUHS 114799	3600	40,563		0 PT
93.837		WFUHS 116828 AM01	3600	25,697		0 PT
93.837		WFUHS 116829 AM03	3600	28,167		0 PT
93.837		WU-17-310-MOD-2	3600	30,642		0 PT
93.837			3650	748,348	206,190	
93.837		3011860	3650	3,305		0 PT
93.837		KA150030KA1022	3650	(2,126)		0 PT
93.837		RS2012229608	3650	(336)		0 PT
93.837		A051237	3800	8,170		0 PT
<b>Federal Program 93.837 Total</b>				<b>36,508,842</b>	<b>6,091,942</b>	
93.838	Lung Diseases Research		3600	7,146,867	975,017	
93.838		00352001299073AM01	3600	13,206		0 PT
93.838		1(GG007619-04) AM03	3600	2,638		0 PT
93.838		1090409-334683 AM04	3600	(5,727)		0 PT
93.838		11659SUB MOD01	3600	23,261		0 PT
93.838		12075 SUB	3600	9,983		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.838	Lung Diseases Research	2(GG007668-01) AM02	3600	11,518		0 PT
93.838		2(GG011662) AM01	3600	16,353		0 PT
93.838		2(GG012782) AM01	3600	82,187		0 PT
93.838		229886 MOD05	3600	171,549	158,126	PT
93.838		229960 MOD01	3600	278,710	177,816	PT
93.838		303862	3600	167,344		0 PT
93.838		31438-01-004SUB-0005	3600	105,574		0 PT
93.838		3143801004SUB0005AM01	3600	(2,594)		0 PT
93.838		3143801004SUB0005AM03	3600	23,898		0 PT
93.838		3143801004SUB0005AM04	3600	15,995		0 PT
93.838		32723SUB52546	3600	3,497		0 PT
93.838		4(GG010919-03) AM03	3600	1,193		0 PT
93.838		4(GG010919-05) AM04	3600	67,783		0 PT
93.838		8893SC AM03	3600	55,154		0 PT
93.838		9012549 (130129-50)	3600	340		0 PT
93.838		AD222GLEASE1SIBCR	3600	1,377		0 PT
93.838		AD222PLUMLR3SIBCR	3600	136		0 PT
93.838		AD222PLUMLR4SIBCR	3600	1,458		0 PT
93.838		EH17-325-S4	3600	11,773		0 PT
93.838		MOD03PRIME5U01HL1230	3600	42,929	41,579	PT
93.838		S00062 AM02	3600	3,530		0 PT
93.838		S00062-01	3600	17,261		0 PT
93.838		SUBK00008473	3600	28,154		0 PT
93.838		UW BUD# 667962	3600	5,946		0 PT
93.838		WU-19-105	3600	26,006		0 PT
<b>Federal Program 93.838 Total</b>				<b>8,327,299</b>	<b>1,352,538</b>	
93.839	Blood Diseases and Resources Research		3600	8,327,714	1,912,648	
93.839		0000846587 AM04	3600	9,314		0 PT
93.839		0000916288	3600	1,304		0 PT
93.839		0000929254	3600	(113,583)		0 PT
93.839		0000947078	3600	347,472		0 PT
93.839		0000951722 AM01	3600	10,872		0 PT
93.839		0000954258	3600	206,296		0 PT
93.839		0000969256	3600	118,675		0 PT
93.839		000502659-002 AM04	3600	48,546		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.839	Blood Diseases and Resources Research	0013267D AM01	3600	110,970		0 PT
93.839		0014251A	3600	2,748		0 PT
93.839		11288SUB MOD03	3600	25,079		0 PT
93.839		113440 AM04	3600	5,588		0 PT
93.839		11577SUB MOD02	3600	(14,278)		0 PT
93.839		11899SUB MOD01	3600	108,767		0 PT
93.839		12003SUB	3600	36,113		0 PT
93.839		12004SUB MOD01	3600	57,757		0 PT
93.839		417287GURFAOGR510757	3600	201,976		0 PT
93.839		417287GURFAOGR510757	3600	51,802		0 PT
93.839		5112806	3600	14,310		0 PT
93.839		75103107 AM02	3600	(1)		0 PT
93.839		75103107 AM03	3600	386,587		0 PT
93.839		75103107 AM04	3600	44,401		0 PT
93.839		883-UW-2019	3600	5,710		0 PT
93.839		FP066598-D AM01	3600	32,281		0 PT
93.839		FY18.878.004 AM02	3600	66,513		0 PT
93.839		FY18878004FY19878004A	3600	12,610		0 PT
93.839		UW-15014-D	3600	57,205		0 PT
93.839		UW634828	3600	(76,466)		0 PT
93.839			3800	82,442		0
<b>Federal Program 93.839 Total</b>				<b>10,168,724</b>	<b>1,912,648</b>	
93.846	Arthritis, Musculoskeletal and Skin Diseases Resea		3600	6,390,059	191,643	
93.846		0255-1291-4609	3600	20,075		0 PT
93.846		1R01AR064066 MOD01	3600	1,163		0 PT
93.846		90077 AM01	3600	5,607		0 PT
93.846		GJ11GJ13SIBCR	3600	1,055		0 PT
93.846		GJ11GJ14SIBCR	3600	13,942		0 PT
93.846		POSB223SHOFEJ1SIBCR	3600	12,585		0 PT
93.846			3650	1,042,776	16,249	
<b>Federal Program 93.846 Total</b>				<b>7,487,262</b>	<b>207,892</b>	
93.847	Diabetes, Digestive, and Kidney Diseases Extramura		3600	25,377,074	4,155,984	
93.847		00001054 AM02	3600	37,831		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	00001250 AM01	3600	47,379		0 PT
93.847		00009180981RC2DK114777	3600	(2,954)		0 PT
93.847		0000932072	3600	14,111		0 PT
93.847		00009492295RC2DK114777	3600	150,232		0 PT
93.847		000518101-003	3600	2,888		0 PT
93.847		0047227 (130849-3)	3600	88,614		0 PT
93.847		00472271293783AM01	3600	1,427		0 PT
93.847		00472271308494AM01	3600	771,995		0 PT
93.847		0057719 (129976-2)	3600	10,209		0 PT
93.847		096560002-322295	3600	6,662		0 PT
93.847		100069 AM01	3600	87,195	29,814	PT
93.847		100069 AM02	3600	136,230	15,938	PT
93.847		1004965_UWA AM05	3600	34,345		0 PT
93.847		1004965UWA AM 4	3600	(8)		0 PT
93.847		1004965UWAMARCOVINA	3600	82,695		0 PT
93.847		100710-118240 AM04	3600	67,968		0 PT
93.847		1008-SUB	3600	15,051		0 PT
93.847		10309SC AM02	3600	99,327		0 PT
93.847		10321SC AM01	3600	45,014		0 PT
93.847		1046-SUB	3600	90,522		0 PT
93.847		1082-SUB	3600	107,584	25,723	PT
93.847		10863SC AM01	3600	184,471		0 PT
93.847		11096SUB MOD03	3600	18,174		0 PT
93.847		11097SUB	3600	10,139		0 PT
93.847		11097SUB MOD05	3600	95,857		0 PT
93.847		111345 AM04	3600	7,009		0 PT
93.847		11334SUB MOD03	3600	44,695		0 PT
93.847		11648SUB	3600	(4,510)		0 PT
93.847		11648SUB MOD01	3600	2,098		0 PT
93.847		11866SUB	3600	936,174		0 PT
93.847		11866SUB MOD01	3600	42,876		0 PT
93.847		16-924 AM04	3600	17,135		0 PT
93.847		16-D17 AM01	3600	340,813		0 PT
93.847		2003992125	3600	23,892		0 PT
93.847		2014-3113 AM04	3600	16,149		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	2018103409	3600	(1,405)	0	PT
93.847		206423 AM01	3600	(5)	0	PT
93.847		206423 AM03	3600	11,199	0	PT
93.847		226142 AM06	3600	38,283	0	PT
93.847		226142 AM07	3600	9,999	0	PT
93.847		310859 AM08	3600	27,814	0	PT
93.847		310859AMEND7PO661001	3600	75,461	0	PT
93.847		32307-18	3600	10,730	0	PT
93.847		32307-3 AM01	3600	62,399	2,533	PT
93.847		32307-34	3600	34,617	0	PT
93.847		32307-6 AM01	3600	71,611	0	PT
93.847		38947675 AM006	3600	37,855	0	PT
93.847		3R01DK113375-02S1	3600	49,879	0	PT
93.847		5013848-SERV	3600	26,595	0	PT
93.847		5013848-SERV AM01	3600	2,864	0	PT
93.847		5033711 AM02	3600	(93)	0	PT
93.847		5216282-5500000979	3600	4,297	0	PT
93.847		5216284-5500001209	3600	4,887	0	PT
93.847		574238 AM06	3600	378	0	PT
93.847		600103 C.05	3600	12,368	0	PT
93.847		60037997 UW	3600	235,570	0	PT
93.847		6163-1007-00-AM	3600	(11,283)	0	PT
93.847		6163-1042-00-AM	3600	60,339	0	PT
93.847		6163-1050-00-AM	3600	3,139	0	PT
93.847		6163-1051-00-AD	3600	231,961	0	PT
93.847		6163-1051-00-AD AM01	3600	132,329	0	PT
93.847		6163-1051-00-Z AM01	3600	1,026,379	0	PT
93.847		6163-1051-00-Z AM02	3600	4,015	0	PT
93.847		6163-1051-00-Z AM03	3600	257,470	0	PT
93.847		7000000733	3600	7,730	0	PT
93.847		793K995	3600	21,177	0	PT
93.847		8379SCAM065R01DK09823	3600	12,264	0	PT
93.847		862 SUB AM03	3600	(25,525)	0	PT
93.847		974-SUB AM01	3600	2,814	0	PT
93.847		AM04	3600	93,535	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	BJ211-BJ2-1-SIBCR	3600	2,364		0 PT
93.847		BJ211-BJ2-2-SIBCR	3600	2,367		0 PT
93.847		BJ211-SIKKEC-1-SIBCR	3600	4,029		0 PT
93.847		CS113409_UOW AM03	3600	37,567		0 PT
93.847		FP068366-01 B	3600	11,263		0 PT
93.847		FP068366-01 I	3600	26,615		0 PT
93.847		FY18.896.006	3600	62,916		0 PT
93.847		FY18.896.006 AM01	3600	15,826		0 PT
93.847		GENFD0001337145 AM02	3600	32,170		0 PT
93.847		GMO 161129 AM02	3600	10,574		0 PT
93.847		GMO 161129 AM03	3600	54,959		0 PT
93.847		GMO 170915 AM02	3600	941		0 PT
93.847		HR15-APLINA-3-SIBCR	3600	10,090		0 PT
93.847		HR15HR17SIBCR MOD01	3600	63,752		0 PT
93.847		HR15HR18SIBCR	3600	24,085		0 PT
93.847		KA1459	3600	34,875		0 PT
93.847		KA1462	3600	33,988		0 PT
93.847		KS121-BE1-9SIBCR	3600	5,404		0 PT
93.847		KS121-SOCHAJ-10SIBCR	3600	11,445		0 PT
93.847		KS121BE18SIBCR	3600	7,559		0 PT
93.847		KS121SOCHAJ9SIBCR	3600	22,803		0 PT
93.847		KS121WFUKS11SIBCR	3600	9,865		0 PT
93.847		KS121WFUSOCHAJ1SIBC	3600	19,461		0 PT
93.847		KS141-LOVATC-6-SIBCR	3600	13,421		0 PT
93.847		KS141-PJ1-6-SIBCR	3600	4,944		0 PT
93.847		KS141-UW-6 AM01	3600	(2,457)		0 PT
93.847		KS141-UW-7 AM01	3600	949,020		0 PT
93.847		KS141WFUKS13SIBCR	3600	2,188		0 PT
93.847		KS141WFUKS14SIBCR	3600	9,190		0 PT
93.847		KS16-SOCHAJ-4-SIBCR	3600	12,602		0 PT
93.847		KS16-SOCHAJ-5-SIBCR	3600	6,359		0 PT
93.847		KS16KS18SIBCR	3600	5,702		0 PT
93.847		KS16KS19SIBCR	3600	3,338		0 PT
93.847		KS16LOVATC8SIBCR	3600	3,905		0 PT
93.847		KS16LOVATC9SIBCR	3600	2,805		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramura	N006254903 AM01	3600	68,518		0 PT
93.847		PJ115-PJ1-4-SIBCR	3600	51,408		0 PT
93.847		PJ115BROOKB3SIBCR	3600	13,052		0 PT
93.847		PJ115BROOKB4SIBCR	3600	69,520		0 PT
93.847		PJ115PJ13SIBCR MOD1	3600	7,447		0 PT
93.847		PJ116-BROOKB-3-SIBCR	3600	7,731		0 PT
93.847		PJ116-BROOKB-4-SIBCR	3600	41,682		0 PT
93.847		PJ116-PJ1-3-SIBCR	3600	4,115		0 PT
93.847		PJ116-PJ1-4-SIBCR	3600	29,876		0 PT
93.847		RES509472 AM03	3600	929		0 PT
93.847		RES512226	3600	1,918		0 PT
93.847		RES512556	3600	90		0 PT
93.847		RES512841 AM02	3600	45,833		0 PT
93.847		RES512873	3600	60		0 PT
93.847		RES513286	3600	14,229		0 PT
93.847		RES513286 AM01	3600	283,718		0 PT
93.847		RES514013	3600	4,947		0 PT
93.847		RNG003044BUDG02UW00	3600	93,060		0 PT
93.847		RNG209700-02	3600	4,624		0 PT
93.847		S-DPP-1819-JC02	3600	332,668		0 PT
93.847		S-DPP1920-JC02	3600	329,178		0 PT
93.847		SPC-000867 AM01	3600	23,762		0 PT
93.847		UK1-GRADE-KS1-6-SIBCR	3600	28,380		0 PT
93.847		UK1-GRADE-WL1-2-SIBC	3600	1,081		0 PT
93.847		UK1-GRADE-WL1-3-SIBC	3600	12,056		0 PT
93.847		UK1GRADE-UK1-4-SIBCR	3600	501		0 PT
93.847		UK1GRADE-UK1-5-SIBCR	3600	5,529		0 PT
93.847		UW BUD# 665106	3600	9,695		0 PT
93.847		UW OSP #A106137	3600	20,180		0 PT
93.847		UW636508	3600	122,184		0 PT
93.847		UW638799	3600	55,994		0 PT
93.847		UW662485	3600	9,674		0 PT
93.847		VUMC42466 AM03	3600	264,604		0 PT
93.847		VUMC42466 AMEND 2	3600	780		0 PT
93.847		VUMC67532	3600	74,891		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.847	Diabetes, Digestive, and Kidney Diseases Extramural	WFUHS 114580 AM05	3600	184,549		0 PT
93.847		WFUHS 118239 AM03	3600	95,121		0 PT
93.847		ZS22-MUNDIT-3-SIBCR	3600	21,673		0 PT
93.847		ZS22-ZS2-6-SIBCR	3600	65,872		0 PT
93.847			3650	2,245,914	389,907	
93.847		FY17001016	3650	22,961		0 PT
93.847		R01DK108765S001	3650	133,397		0 PT
93.847		RGF010786A	3650	107,973		0 PT
<b>Federal Program 93.847 Total</b>				<b>37,965,319</b>	<b>4,619,899</b>	
93.853	Extramural Research Programs in the Neurosciences		3600	19,837,424	1,136,188	
93.853		0010073AAM065R01NS087	3600	13,564		0 PT
93.853		00304511285553AM01	3600	(1)		0 PT
93.853		010085-135574 AM02	3600	7,031		0 PT
93.853		01029142 AM06	3600	14,416		0 PT
93.853		010785-135574 AM01	3600	1,092		0 PT
93.853		0255-6614-4609 AM08	3600	7,587		0 PT
93.853		0255-6614-4609 AM10	3600	7,548		0 PT
93.853		1(GG012006-02) AM02	3600	231,398		0 PT
93.853		1012547_UWA	3600	16,706		0 PT
93.853		1012547_UWA AM01	3600	12,852		0 PT
93.853		10284SC	3600	2,163		0 PT
93.853		10284SC AM01	3600	21,862		0 PT
93.853		10945SC	3600	93,773		0 PT
93.853		11037SC	3600	13,159		0 PT
93.853		111178-5088518 AM03	3600	55,091		0 PT
93.853		11360SUB AM01	3600	32,977		0 PT
93.853		11360SUB MOD03	3600	47,901		0 PT
93.853		11480SUB MOD02	3600	100,712		0 PT
93.853		11713SUB MOD01	3600	7,365		0 PT
93.853		11833SUB MOD01	3600	30,295		0 PT
93.853		149420.5104939.0102	3600	(2,026)		0 PT
93.853		149420.5104939.0202	3600	109,354		0 PT
93.853		164688/164682	3600	36,089		0 PT
93.853		165343/163511	3600	67,854		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.853	Extramural Research Programs in the Neurosciences	18-3098 UNIVWASH	3600	158,088		0 PT
93.853		19-3245-UWA AM01	3600	73,264		0 PT
93.853		2003445452 MOD 1	3600	15,496		0 PT
93.853		2017-01#A121200	3600	40,212		0 PT
93.853		21B-1097692 AM01	3600	(253)		0 PT
93.853		21B-1098368	3600	152,915	139,165	PT
93.853		232940 AM01	3600	252,203		0 PT
93.853		30003963-54 AM01	3600	28,450		0 PT
93.853		417264URFAOGR510747A	3600	15,754		0 PT
93.853		567147 AM 02	3600	5,595		0 PT
93.853		567147 AM03	3600	27,325		0 PT
93.853		572825	3600	11,165		0 PT
93.853		572976	3600	31,892		0 PT
93.853		5978-01	3600	43,706		0 PT
93.853		60043694 UW AM A02	3600	56,346		0 PT
93.853		60043694 UW AM01	3600	(1)		0 PT
93.853		61311382-124387 AM03	3600	8,757		0 PT
93.853		61311385-124387 AM03	3600	(12,442)	650	PT
93.853		61311385-124387 AM05	3600	2,755		0 PT
93.853		61311385-124387 AM05	3600	285,337	6,778	PT
93.853		61855870-125439 AM01	3600	21,369		0 PT
93.853		7891SC AM010	3600	49,834		0 PT
93.853		7891SC AM10	3600	4,751		0 PT
93.853		9008715_HMC AM05	3600	3,678		0 PT
93.853		9670SC AM06	3600	375,869		0 PT
93.853		9670SC AM03	3600	394		0 PT
93.853		9670SC AM04	3600	1,495		0 PT
93.853		A146724 AM01	3600	88,296		0 PT
93.853		AGMT00000855	3600	18,724		0 PT
93.853		BW213BW21SIBCR	3600	708		0 PT
93.853		KB26A-KB2-4-SIBCR	3600	39,624		0 PT
93.853		KB26A-MCMILP-2-SIBCR	3600	13,133		0 PT
93.853		KB26B-KB2-1-SIBCR	3600	1,820		0 PT
93.853		N004688501 AM03	3600	618		0 PT
93.853		N004688501 AM04	3600	6,706		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.853	Extramural Research Programs in the Neurosciences	PE154PE1-3-SIBCR	3600	9,375		0 PT
93.853		PE154PE12SIBCR	3600	8,215		0 PT
93.853		S397592 AM01	3600	512,293	198,311	PT
93.853		S407472 AM01	3600	123,592		0 PT
93.853		SA15008-UW AM01	3600	25,113		0 PT
93.853		SA15008-UW AM02	3600	72,417		0 PT
93.853		SUB0000037 AMO4	3600	13,498		0 PT
93.853		SUBK00007467	3600	220,521		0 PT
93.853		SUBK10405CSPR-002	3600	16,094		0 PT
93.853		T234837 AM06	3600	85,266		0 PT
93.853		T662120 AM11	3600	1,109		0 PT
93.853		T928260	3600	29,495		0 PT
93.853		TD116HS21SIBCR	3600	3,019		0 PT
93.853		TD116TD11SIBCR	3600	9,987		0 PT
93.853		U01NS091951-135574 AM3	3600	8,165		0 PT
93.853		UC1LJ16B-KV1-3-SIBCR	3600	17,122		0 PT
93.853		UC1LJ16BFISHB3SIBCR	3600	53,373		0 PT
93.853		UW631451	3600	20,558		0 PT
93.853		UW662736	3600	(1,598)		0 PT
93.853		WAS-224063	3600	2,336		0 PT
93.853		WAS-224063 AM 01	3600	1,685		0 PT
93.853		WAS-232483 AM01	3600	864		0 PT
93.853			3650	1,716,390	202,870	
93.853		1005874WSU	3650	(3,000)		0 PT
93.853		132657001	3650	114,692		0 PT
93.853		R41NS107099	3650	106,199		0 PT
<b>Federal Program 93.853 Total</b>				<b>25,756,549</b>	<b>1,683,962</b>	
93.855	Allergy and Infectious Diseases Research		3600	59,839,369	12,024,020	
93.855		0000887953 AM01	3600	2		0 PT
93.855		0000900629 AM01	3600	(2,238)		0 PT
93.855		0000910222	3600	1,159		0 PT
93.855		0000910639	3600	(1,969)		0 PT
93.855		0000911466 AM01	3600	(1,935)		0 PT
93.855		0000911482 AM02	3600	10,874		0 PT
93.855		0000911538 AM01	3600	8,007		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	0000913192 MOD02	3600	36,258		0 PT
93.855		0000924578 AM01	3600	45,476		0 PT
93.855		0000924579 AM01	3600	2,996		0 PT
93.855		0000924580 AM01	3600	153,072		0 PT
93.855		0000924811	3600	51,408		0 PT
93.855		0000924908	3600	59,621		0 PT
93.855		0000924985	3600	12,173		0 PT
93.855		0000925409 AM03	3600	34,211		0 PT
93.855		0000925600 AM01	3600	235,370		0 PT
93.855		0000925640 AM01	3600	132,875		0 PT
93.855		0000925917 AM02	3600	133,752		0 PT
93.855		0000926261	3600	18,065		0 PT
93.855		0000926262	3600	6,960		0 PT
93.855		0000927242 AM02	3600	54,109		0 PT
93.855		0000927247 AM02	3600	34,906		0 PT
93.855		0000927508 AM02	3600	290,426		0 PT
93.855		0000927519	3600	142,928		0 PT
93.855		0000927588	3600	4,721		0 PT
93.855		0000929251 AM02	3600	266,953		0 PT
93.855		0000929253 AM02	3600	75,693		0 PT
93.855		0000929751	3600	143,535		0 PT
93.855		0000929751 AM01	3600	349,250		0 PT
93.855		0000931843	3600	71,578		0 PT
93.855		0000933143 AM02	3600	72,287		0 PT
93.855		0000934004 AM02	3600	18,356		0 PT
93.855		0000934017	3600	59,803		0 PT
93.855		0000934054 AM03	3600	24,915		0 PT
93.855		0000935316 MOD01	3600	9,178		0 PT
93.855		0000941137	3600	192,770		0 PT
93.855		0000941451 AM01	3600	158,434		0 PT
93.855		0000943535	3600	2,332		0 PT
93.855		0000944095 AM01	3600	405,683		0 PT
93.855		0000947108 AM01	3600	126,247		0 PT
93.855		0000947312 AM01	3600	16,017		0 PT
93.855		0000948051	3600	98,404		0 PT
93.855		0000949850	3600	256,056		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	0000949852 AM01	3600	242,099		0 PT
93.855		0000949853	3600	23,408		0 PT
93.855		0000949854	3600	107,248		0 PT
93.855		0000950760	3600	214,256		0 PT
93.855		0000953006 AM01	3600	1,639,471		0 PT
93.855		0000953054 AM01	3600	102,558		0 PT
93.855		0000956616	3600	47,146		0 PT
93.855		0000962047	3600	134,490		0 PT
93.855		0000962048	3600	45,903		0 PT
93.855		0000963784	3600	297,670		0 PT
93.855		0000964506 AM01	3600	291,796		0 PT
93.855		0000964510 AM01	3600	6,476		0 PT
93.855		0000964732	3600	443,632		0 PT
93.855		0000965321	3600	161,404		0 PT
93.855		0000965331	3600	319,732		0 PT
93.855		0000965772	3600	5,948		0 PT
93.855		0000966404 AM01	3600	5,452		0 PT
93.855		0000966451	3600	687,076		0 PT
93.855		0000966654 AM01	3600	3,470		0 PT
93.855		0000967192	3600	53,298		0 PT
93.855		0000967194	3600	277,059		0 PT
93.855		0000967196	3600	123,933		0 PT
93.855		0000967198	3600	184,531		0 PT
93.855		0000967202	3600	231,945		0 PT
93.855		0000967310	3600	189,799		0 PT
93.855		0000970508	3600	39,506		0 PT
93.855		0000970606	3600	72,508		0 PT
93.855		0000970632 AM01	3600	48,343		0 PT
93.855		0000970723	3600	41,473		0 PT
93.855		0000977473	3600	40,004		0 PT
93.855		0000981927	3600	97,309		0 PT
93.855		0000985119	3600	28,942		0 PT
93.855		0000985277	3600	14,079		0 PT
93.855		0000986153	3600	216		0 PT
93.855		0000988483	3600	4,814		0 PT
93.855		000421524-002 AM06	3600	(1)		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	000510836-006 AM03	3600	121,878		0 PT
93.855		000510836-006 AM04	3600	759,183		0 PT
93.855		0060130 (131574-2)	3600	19,047		0 PT
93.855		0121301S025U19AI125378	3600	4,722		0 PT
93.855		0121303S01	3600	250,337		0 PT
93.855		0121402S01-A01	3600	174		0 PT
93.855		0121403S01	3600	136,764		0 PT
93.855		0121703S02	3600	154,583		0 PT
93.855		0129201S01	3600	85,307		0 PT
93.855		0369	3600	94,282		0 PT
93.855		0884, PO 1098950	3600	47,560		0 PT
93.855		10019SCAM025R01AI0984	3600	8,632		0 PT
93.855		1013170_UWA	3600	47,169		0 PT
93.855		10182SC AM03	3600	5,723		0 PT
93.855		10182SC AMEND 2	3600	22,744		0 PT
93.855		10592SUB MOD07	3600	284		0 PT
93.855		10951SC	3600	56,785		0 PT
93.855		109927MOD09UM1AI10670	3600	131,664		0 PT
93.855		10995SUB MOD07	3600	157,283		0 PT
93.855		110007 AM06	3600	36,085		0 PT
93.855		11003SC	3600	11,963		0 PT
93.855		110208 MOD05	3600	(651)		0 PT
93.855		110238 AM04	3600	10,608		0 PT
93.855		110668 MOD06	3600	439,472		0 PT
93.855		111670 MOD04	3600	102,229		0 PT
93.855		11229SUB MOD03	3600	11,738		0 PT
93.855		11229SUB MOD04	3600	9,053		0 PT
93.855		112668 AM03	3600	(35,383)		0 PT
93.855		112668 AM04	3600	201,469		0 PT
93.855		11313SC	3600	10,756		0 PT
93.855		11415SUB AM02	3600	93,604		0 PT
93.855		11576SUB-MO02	3600	(56,697)		0 PT
93.855		11645SUB MOD01	3600	415,701		0 PT
93.855		11670SUB MOD01	3600	102,307		0 PT
93.855		11671SUB MOD01	3600	108,298		0 PT
93.855		11917SUB MOD02	3600	96,481		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	11927SUB MOD01	3600	76,928		0 PT
93.855		11935SUB	3600	5,048		0 PT
93.855		12023SUB	3600	15,204		0 PT
93.855		1559 G TA522 AM07	3600	135,814		0 PT
93.855		1560 B WA953	3600	110,923		0 PT
93.855		1560 G WA590	3600	62,356		0 PT
93.855		1560 G WB672	3600	18,587		0 PT
93.855		1650 G WA395 AM01	3600	169,369		0 PT
93.855		180194-2	3600	71,827		0 PT
93.855		2003036376 MOD04	3600	110,532		0 PT
93.855		2003036376 MOD06	3600	478,668		0 PT
93.855		201223949-01 AM05	3600	1,318		0 PT
93.855		201303042-08 AM02	3600	108,645		0 PT
93.855		2017-3539 AM02	3600	71,013		0 PT
93.855		2018-3594 AM01	3600	159,145		0 PT
93.855		2018.0004 AM01	3600	15,305		0 PT
93.855		203504UW	3600	72,150		0 PT
93.855		2037025	3600	4,411		0 PT
93.855		2037429	3600	23,579		0 PT
93.855		2037434 (2037025)	3600	18,896		0 PT
93.855		261004-UWASH	3600	16,120		0 PT
93.855		31103A AM01	3600	22,193		0 PT
93.855		4680	3600	3,074		0 PT
93.855		4688	3600	257,851		0 PT
93.855		5108671 (U19AI100625)	3600	52,121		0 PT
93.855		5109907 AM01	3600	174,997		0 PT
93.855		5111674	3600	294,133		0 PT
93.855		5636-UW-DHHS-0676	3600	7,878		0 PT
93.855		569316 AM04	3600	438,215		0 PT
93.855		571209 AM02	3600	12,004		0 PT
93.855		5U01AI11552004UWY4AM	3600	42,950		0 PT
93.855		60062752AM01PREV60062	3600	117,511		0 PT
93.855		6610100083 AM04	3600	12,099		0 PT
93.855		73440803 AM003	3600	26,885		0 PT
93.855		762K3115UM1AI11427104	3600	18,985		0 PT
93.855		839K311	3600	151,105		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	8538 MOD03	3600	251		0 PT
93.855		9506SC AM02	3600	14,120		0 PT
93.855		9512 AM02	3600	92,501		0 PT
93.855		9541 AM01	3600	29,375		0 PT
93.855		9579 AM02	3600	109,332		0 PT
93.855		9607 AM01	3600	44,019		0 PT
93.855		971/0080.0173 AM11	3600	7,976		0 PT
93.855		971/0080.0173 AM13	3600	(19)		0 PT
93.855		97100800173POUS00242A	3600	12,607		0 PT
93.855		A011120	3600	79,573		0 PT
93.855		A119810 AM01	3600	480,670		0 PT
93.855		CB2558-SB-897826	3600	57,739		0 PT
93.855		CD-ID-MEDI4893-1139	3600	3,619		0 PT
93.855		FY17121702 AM01	3600	68,275		0 PT
93.855		FY18ITN293	3600	27,650		0 PT
93.855		FY18ITN293 AM01	3600	21,386		0 PT
93.855		FY18ITN304	3600	35,869		0 PT
93.855		FY19349003PROJECT25A7	3600	2,622		0 PT
93.855		FY19ITN304	3600	57,002		0 PT
93.855		FY19ITN318	3600	53,003		0 PT
93.855		G164-18-W7010	3600	33,412		0 PT
93.855		G164-18-W7010 AM01	3600	77,108		0 PT
93.855		GMO 130301 AM05	3600	(22,807)		0 PT
93.855		GMO 180806	3600	265,797		0 PT
93.855		GR700507UW AM03	3600	272		0 PT
93.855		IDG_UW_02	3600	(41,525)		0 PT
93.855		IDG_UW_02 AM02	3600	363,714		0 PT
93.855		LDR 01 MOD 04	3600	12,580		0 PT
93.855		LDR01MOD07PO20021311	3600	22,664		0 PT
93.855		MOD 1	3600	13,441		0 PT
93.855		OSP2018036 AM01	3600	196,984		0 PT
93.855		OSP20180361P01AI132130	3600	28,432		0 PT
93.855		P006941201 AM01	3600	4,446		0 PT
93.855		PO# 14-267 AM05	3600	47,233		0 PT
93.855		PO17001138 AM03	3600	36,870		0 PT
93.855		PO17001138 MOD07	3600	37,198		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	PRIME# R44AI089290	3600	135,816		0 PT
93.855		PS#232251 MOD03	3600	464		0 PT
93.855		R1142049 AM01	3600	22,509		0 PT
93.855		RES510939 AM03	3600	474,908		0 PT
93.855		RES5127395U01AI1156420	3600	115,750		0 PT
93.855		RES513942	3600	115,145		0 PT
93.855		S-001012 AM01	3600	33,926		0 PT
93.855		SA1901498	3600	62,136		0 PT
93.855		SA1901529	3600	26,306		0 PT
93.855		SP00013673-02	3600	9,546		0 PT
93.855		SPC-000844	3600	263,550		0 PT
93.855		SPC-000844 AM01	3600	35,365		0 PT
93.855		SPC-000983	3600	11,520		0 PT
93.855		SUL1847-02 AM05	3600	156,705		0 PT
93.855		T847388	3600	(71,145)		0 PT
93.855		UW BUD# 669493	3600	2,335		0 PT
93.855		UW-14006	3600	10,439		0 PT
93.855		UW-17307	3600	14,719		0 PT
93.855		UW-19004	3600	24,993		0 PT
93.855		UW630303	3600	74,379		0 PT
93.855		UW632645	3600	95,186		0 PT
93.855		UW633650	3600	119,736		0 PT
93.855		UW635972	3600	18,718		0 PT
93.855		UW636775	3600	19,804		0 PT
93.855		UW636977	3600	53,159		0 PT
93.855		UW636979	3600	57,683		0 PT
93.855		UW636980	3600	9,149		0 PT
93.855		UW636981	3600	13,944		0 PT
93.855		UW638211	3600	94,338		0 PT
93.855		UW639259	3600	20,945		0 PT
93.855		UW639399	3600	36,378		0 PT
93.855		UW639523	3600	913		0 PT
93.855		UW662172	3600	45,194		0 PT
93.855		UW667769	3600	98,137		0 PT
93.855		UW669493	3600	(2,335)		0 PT
93.855			3650	6,206,169	612,173	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.855	Allergy and Infectious Diseases Research	5106846	3650	193,471	0	PT
93.855		H004942302	3650	133,293	0	PT
93.855		IN4688954WSU	3650	112,380	0	PT
93.855		ULRF17102401	3650	9,783	0	PT
<b>Federal Program 93.855 Total</b>				<b>88,044,873</b>	<b>12,636,193</b>	
93.856	Microbiology and Infectious Diseases Research		3600	2,135	0	
<b>Federal Program 93.856 Total</b>				<b>2,135</b>	<b>0</b>	
93.859	Biomedical Research and Research Training		3600	37,695,012	2,156,413	
93.859		0000910275	3600	(30,911)	0	PT
93.859		0000918045 AM02	3600	(15,067)	0	PT
93.859		0000927366	3600	8,295	0	PT
93.859		0000948942	3600	118,412	0	PT
93.859		0000953698	3600	101,189	0	PT
93.859		0000969248	3600	5,883	0	PT
93.859		1003716 - WASHINGTON	3600	1,179	0	PT
93.859		10044932-08 AM01	3600	10,403	0	PT
93.859		10044932-08 AM02	3600	189,293	0	PT
93.859		12_8036_UWASH_03 AM02	3600	171,497	0	PT
93.859		13-606-UW AM01	3600	38,795	0	PT
93.859		2002735434 AM05	3600	31,191	0	PT
93.859		2015.0001 AM05	3600	56,326	0	PT
93.859		2016-3369 AM02	3600	53,649	0	PT
93.859		2017-254	3600	7,358	0	PT
93.859		201703197-04 AM03	3600	208,846	0	PT
93.859		20170319705A170013S001	3600	339,915	0	PT
93.859		2018-279	3600	85,237	0	PT
93.859		2018-303	3600	25,430	0	PT
93.859		5107298 AM03	3600	87,862	0	PT
93.859		8036_UWASH_04	3600	42,741	0	PT
93.859		A127786 AM01	3600	158,509	0	PT
93.859		FY19.841.001	3600	12,242	0	PT
93.859		R44GM123833 AM02	3600	97,528	0	PT
93.859		R960652 AM04	3600	80,015	0	PT
93.859		SUB0000256	3600	74,400	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.859	Biomedical Research and Research Training	UNIV60752	3600	43,868	0	PT
93.859		VUMC 55495 AM02	3600	676	0	PT
93.859		VUMC 55495 AM03	3600	42,882	0	PT
93.859			3650	3,669,398	534,563	
93.859		13081302_WASH	3650	2,534	0	PT
93.859		257109WSU	3650	189,157	0	PT
93.859		54076616	3650	836	0	PT
93.859		FY15652002	3650	64,738	0	PT
93.859		WU17182	3650	149,397	0	PT
93.859			3700	13,486	0	
93.859			3800	133,904	0	
93.859		160086-U2017-004	3800	43,135	0	PT
Federal Program 93.859 Total				44,009,240	2,690,976	
93.865	Child Health and Human Development Extramural Rese		3600	19,397,752	2,933,592	
93.865		0000918229	3600	9,310	0	PT
93.865		0000966758	3600	349,144	0	PT
93.865		0000976961	3600	1,850	0	PT
93.865		000512823-004 A02	3600	53,033	0	PT
93.865		004886012687312AM01	3600	25,783	0	PT
93.865		0051592 (128416-3)AM02	3600	5,231	0	PT
93.865		0907780101 AM02	3600	59,788	0	PT
93.865		102469.001.001 AM01	3600	13,670	0	PT
93.865		102492.001.001	3600	3,462	0	PT
93.865		10893SUB MOD05	3600	11,497	0	PT
93.865		10988SUB MOD04	3600	18,754	0	PT
93.865		11312SUB MOD04	3600	96,123	0	PT
93.865		114205-1387-5107643	3600	1,233	0	PT
93.865		11420514875107634AM01	3600	12,603	0	PT
93.865		11614SUB MOD01	3600	96,061	0	PT
93.865		11614SUB MOD02	3600	9,597	0	PT
93.865		11655SUB	3600	221	0	PT
93.865		12029SUB	3600	27,406	0	PT
93.865		18-84415	3600	13,740	0	PT
93.865		1920 G RA131 AM05	3600	28,874	0	PT
93.865		1920 G UA066 AM03	3600	38,785	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.865	Child Health and Human Development Extramural Rese	1R41HD09347601AM01PRI	3600	7,030		0 PT
93.865		2004031129	3600	57,139		0 PT
93.865		201224693-05 AM02	3600	24,656		0 PT
93.865		288-01 AM01	3600	24,439		0 PT
93.865		3003294837 AM05	3600	106,531		0 PT
93.865		3003879380 AM03	3600	11,672		0 PT
93.865		3004910137 AM01	3600	43,022		0 PT
93.865		5109092	3600	178,675		0 PT
93.865		5109092 AM01	3600	218,935		0 PT
93.865		5112526	3600	13,308		0 PT
93.865		51460	3600	18,357		0 PT
93.865		60047828 UW	3600	20,696		0 PT
93.865		60047828 UW AM01	3600	46,800		0 PT
93.865		60060209 AM02	3600	31,568		0 PT
93.865		7000000288 AM02	3600	218,211		0 PT
93.865		773K253 AM02	3600	94,743		0 PT
93.865		8703SC AMENDMENT 3	3600	2,600		0 PT
93.865		ACTIVITY3200660619PO20	3600	28,862		0 PT
93.865		ACTIVITY3200660619PO96	3600	(211)		0 PT
93.865		AH-19-105-006	3600	7,183		0 PT
93.865		R02041	3600	10,363		0 PT
93.865		RNG200508-2-UW AM03	3600	19,038		0 PT
93.865		RNG209694-BUDG01-UW-	3600	62,176		0 PT
93.865		S-MFM1718-JB13	3600	55,941		0 PT
93.865		S-MFM1819-JB13	3600	25,948		0 PT
93.865		TUL-HSC-557116-18/19	3600	17,706		0 PT
93.865		UNI20120801PO66645877	3600	3,594		0 PT
93.865		UNI201208PO66129413	3600	52,307		0 PT
93.865		UW31227-01	3600	7,165		0 PT
93.865		UW639231	3600	55,133		0 PT
93.865		WU-19-329	3600	21,346		0 PT
93.865			3650	3,445,254	443,501	
93.865		3453212003506	3650	87,018		0 PT
93.865		660K155	3650	13,948		0 PT
<b>Federal Program 93.865 Total</b>				<b>25,305,070</b>	<b>3,377,093</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.866	Aging Research		3600	30,310,348	5,882,803	
93.866		00000844 AM03	3600	198,884		0 PT
93.866		0000940848	3600	146,092		0 PT
93.866		0000981488	3600	9,232		0 PT
93.866		0255-B851-4609	3600	7,742		0 PT
93.866		10041896 AM01	3600	49,826		0 PT
93.866		101720112971 AM03	3600	30,462		0 PT
93.866		103893218 AM01	3600	4,288		0 PT
93.866		10841SC AM01	3600	13,425		0 PT
93.866		109309268	3600	76,657		0 PT
93.866		11075SC	3600	14,297		0 PT
93.866		115640 AM03	3600	32,174		0 PT
93.866		116546-5097910 AM02	3600	20,793		0 PT
93.866		1558 G TA326 AM005	3600	47,440		0 PT
93.866		1558 G WA112 AM01	3600	11,353		0 PT
93.866		1558 G WA254	3600	5,876		0 PT
93.866		163900/163897 AM01	3600	44,014		0 PT
93.866		164388/164378	3600	74,120		0 PT
93.866		203-5796 AM01	3600	(403)		0 PT
93.866		210275 AM01	3600	188,152		0 PT
93.866		280201015-S221	3600	122,659		0 PT
93.866		30340SUB52029UOFWASH	3600	110,816		0 PT
93.866		31086C AM03	3600	63,006		0 PT
93.866		31131C AM02	3600	425,403		0 PT
93.866		31594G AM04 (PO645932)	3600	(41)		0 PT
93.866		4500002537 AM001	3600	153,647		0 PT
93.866		4500003041	3600	1,814		0 PT
93.866		573045 AM01	3600	57,554		0 PT
93.866		573992 AM05	3600	45,455		0 PT
93.866		573992, AM04	3600	11,004		0 PT
93.866		574060 AM02	3600	338,803		0 PT
93.866		574060 AM03	3600	12,454		0 PT
93.866		60048330 UW AM A01	3600	13,022		0 PT
93.866		60048331 UW AM A01	3600	8,085		0 PT
93.866		60048332 UW AM A01	3600	149,367		0 PT
93.866		61314414-124531 AM02	3600	48,957		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.866	Aging Research	61314414-124531 AM04	3600	470,805		0 PT
93.866		61627910-128473 AM01	3600	83,012		0 PT
93.866		800080 AM03	3600	22,722		0 PT
93.866		800180 AM03	3600	5,254		0 PT
93.866		87749088 AM001	3600	(2,269)		0 PT
93.866		9499SC AM01	3600	(76)		0 PT
93.866		9499SC AM02	3600	9,265		0 PT
93.866		97832536	3600	14,072		0 PT
93.866		BW218BW21SIBCR	3600	2,832		0 PT
93.866		BW218BW22SIBCR	3600	354		0 PT
93.866		BW29BW25SIBCR	3600	25,392		0 PT
93.866		BW29BW26SIBCR	3600	4,323		0 PT
93.866		BW29NIRAU1SIBCR	3600	58,754		0 PT
93.866		ERS# 42597	3600	13,448		0 PT
93.866		FY19875002PO1001169488	3600	5,262		0 PT
93.866		KB211-KB2-2-SIBCR	3600	30,523		0 PT
93.866		KB211-KB2-3-SIBCR	3600	10,921		0 PT
93.866		KB211-MCMILP-1-SIBCR	3600	13,133		0 PT
93.866		PE155PE13SIBCR	3600	20,944		0 PT
93.866		PE155PE14SIBCR	3600	7,534		0 PT
93.866		PE155REINR3SIBCR	3600	32,644		0 PT
93.866		PE155RM138IBCR	3600	48,188		0 PT
93.866		PE155RM14SIBCR	3600	28,031		0 PT
93.866		PE158PE11SIBCR	3600	5,001		0 PT
93.866		RNG002694-BUDG10-UW-	3600	1,041,314		0 PT
93.866		RNG002694BUDG10UW00	3600	181,589		0 PT
93.866		RNG209925-BUDG01-UW-	3600	1,186		0 PT
93.866		SHL2120-04	3600	36,388		0 PT
93.866		SHL2120-04 AM01	3600	5,512		0 PT
93.866		SPC-000277 AM02	3600	203,256		0 PT
93.866		SUBK00009932PO30052399	3600	93,880		0 PT
93.866		TD112-AELMORS1SIBCR	3600	22,042		0 PT
93.866		TD112ATD11SIBCR	3600	12,090		0 PT
93.866		TD120SC-TM21SIBCR	3600	16,973		0 PT
93.866		TD120TD11SIBCR	3600	17,535		0 PT
93.866		UW636839	3600	38,836		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.866	Aging Research	UW638190	3600	5,398		0 PT
93.866		UW638452	3600	12,224		0 PT
93.866		VUMC68180	3600	79,629		0 PT
93.866		WUHS 115048 AM05	3600	34,804		0 PT
93.866		WUHS 441339 AM 2	3600	16,363		0 PT
93.866		WUHS 551083	3600	239,153		0 PT
93.866			3650	853,444	91,274	
93.866		765335874P	3650	69,191		0 PT
93.866		765361874P	3650	89,219		0 PT
93.866		FY16001015	3650	71,337		0 PT
<b>Federal Program 93.866 Total</b>				<b>36,898,209</b>	<b>5,974,077</b>	
93.867	Vision Research		3600	15,883,167	1,382,973	
93.867		00009470 AM01	3600	9,098		0 PT
93.867		62015716-136077	3600	260,508		0 PT
93.867		62066366-133041	3600	153,232		0 PT
93.867		A030090	3600	77,500		0 PT
93.867		FP4494_REN02	3600	7,307		0 PT
93.867		N006342901	3600	178,083		0 PT
93.867		N006342901 AM01	3600	16,701		0 PT
93.867		PROTOCOL #U SITE 47	3600	(416)		0 PT
93.867		UW636061	3600	26,520		0 PT
93.867		UW638258	3600	24,364		0 PT
93.867			3650	439,274	70,146	
93.867		1014154WSU	3650	48,249		0 PT
93.867		2003370134	3650	110,521		0 PT
<b>Federal Program 93.867 Total</b>				<b>17,234,108</b>	<b>1,453,119</b>	
93.879	Medical Library Assistance		3600	3,285,533	247,118	
93.879		2017143574 AM01	3600	6,044		0 PT
93.879		298692 AM04	3600	6,462		0 PT
93.879		RNG003046-BUDG02-UW-	3600	7,002		0 PT
93.879			3650	47,084	0	
<b>Federal Program 93.879 Total</b>				<b>3,352,125</b>	<b>247,118</b>	
<b>National Institutes of Health Total</b>				<b>341,059,755</b>	<b>42,247,457</b>	
93.933	Demonstration Projects for Indian Health	2017-004	3600	16,939		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.933	Demonstration Projects for Indian Health	2018-219	3600	6,766	0	PT
93.933		2018-289 AM01	3600	20,648	0	PT
93.933		2017127	3650	14,454	0	PT
<b>Federal Program 93.933 Total</b>				<b>58,807</b>	<b>0</b>	
<b>Indian Health Service Total</b>				<b>58,807</b>	<b>0</b>	
93.941	HIV Demonstration, Research, Public and Profession		3600	934,463	274,866	
<b>Federal Program 93.941 Total</b>				<b>934,463</b>	<b>274,866</b>	
<b>Centers for Disease Control and Prevention Total</b>				<b>934,463</b>	<b>274,866</b>	
93.989	International Research and Research Training		3600	2,378,348	624,578	
93.989		A110910819CHS0502AM01	3600	9,172	0	PT
93.989		A110910819CHS0502AM02	3600	55,144	0	PT
93.989		A116705 AM03	3600	9,187	0	PT
93.989		A139245	3600	64,979	0	PT
93.989		UON-UW	3600	2,772	0	PT
93.989		UON-UW5D43TW010141-0	3600	10,833	0	PT
93.989		UON-UW5D43TW010141-0	3600	206,833	0	PT
<b>Federal Program 93.989 Total</b>				<b>2,737,268</b>	<b>624,578</b>	
<b>National Institutes of Health Total</b>				<b>2,737,268</b>	<b>624,578</b>	
93.RD	Department of Health and Human Services - Unknown		3600	17,886,131	4,923,993	
93.RD		0000865655 AM 2	3600	10,982	0	PT
93.RD		0000865655 AM03	3600	4,177	0	PT
93.RD		0000908589 AM02	3600	13,418	0	PT
93.RD		000500918-T015-004	3600	42,863	0	PT
93.RD		000500918-T016-009	3600	(3,034)	0	PT
93.RD		000500918T011005AM02	3600	25,522	0	PT
93.RD		000500918T013011AM01	3600	5,685	0	PT
93.RD		000500918T013011AM02	3600	4,052	0	PT
93.RD		000500918T015003AM01	3600	135,380	0	PT
93.RD		000500918T015004AM01	3600	8,311	0	PT
93.RD		000501394-005 AM4	3600	(166)	0	PT
93.RD		000509388-T008-001	3600	223,169	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.RD	Department of Health and Human Services - Unknown	000509388-T011-001	3600	73,724		0 PT
93.RD		000509388T004001AM02	3600	286,544		0 PT
93.RD		000509388T006001AM01	3600	312,067		0 PT
93.RD		0024031-6 AM03	3600	(497)		0 PT
93.RD		0024031-6 AM06	3600	159		0 PT
93.RD		0049347-1 AM 002	3600	55,294		0 PT
93.RD		10042359-02 AM03	3600	67,928		0 PT
93.RD		10042359-02 AM04	3600	173,794		0 PT
93.RD		1004354_UWA AM04	3600	(3,427)		0 PT
93.RD		1004354_UWA AM06	3600	175,160		0 PT
93.RD		1004354_UWA AM08	3600	104,911		0 PT
93.RD		1009898_UWA	3600	12,919		0 PT
93.RD		1015219_UWA	3600	38,903		0 PT
93.RD		1015223_UWA	3600	22,936		0 PT
93.RD		114959	3600	891		0 PT
93.RD		11867SUB AM01	3600	91,848		0 PT
93.RD		11868SUB AM01	3600	35,008		0 PT
93.RD		11869SUB AM02	3600	56,994		0 PT
93.RD		11870SUB AM02	3600	85,844		0 PT
93.RD		11871SUB AM02	3600	490,880		0 PT
93.RD		11872SUB AM02	3600	83,885		0 PT
93.RD		11873SUB AM02	3600	16,587		0 PT
93.RD		14011000070000MOD01	3600	538,349	59,400	PT
93.RD		1600258A-1325 AM03	3600	30,068		0 PT
93.RD		1600258A-1326 AM02	3600	12,305		0 PT
93.RD		1600258A-1327 AM02	3600	4,446		0 PT
93.RD		1600258A-1658 AM04	3600	37,044		0 PT
93.RD		1600258C	3600	72,092		0 PT
93.RD		1600258C AM TO03	3600	148,103		0 PT
93.RD		1600258CMTASKORDER	3600	16,210		0 PT
93.RD		220778 MOD06	3600	27		0 PT
93.RD		2500.9026 A3	3600	10,556		0 PT
93.RD		3732 CHS	3600	13,844		0 PT
93.RD		4594 MOD02	3600	(818)		0 PT
93.RD		47508	3600	33,618		0 PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

Federal Catalog No.	Federal Program Title	Award/Contract Control Number	State Agency No.	Expenditure Amount	Expend Amts Passed Through to Subrecipients	See Note E
93.RD	Department of Health and Human Services - Unknown	49860	3600	45,878	0	PT
93.RD		5 TP1AH000106-02-00	3600	(6)	0	PT
93.RD		6 TP1AH000106-03-01	3600	159	0	PT
93.RD		66111350819-12	3600	11,288	0	PT
93.RD		686K836 AM03	3600	267,043	0	PT
93.RD		686K862 AM03	3600	110,622	0	PT
93.RD		7271OPPORTUNITY1TO51	3600	3,045	0	PT
93.RD		7500160942 CN01	3600	28,449	0	PT
93.RD		76887872 AM03	3600	16,169	0	PT
93.RD		80781 AM01	3600	6,926	0	PT
93.RD		811K731	3600	38,513	0	PT
93.RD		865-UW-2017	3600	12,676	0	PT
93.RD		A134573	3600	65,304	0	PT
93.RD		AM03	3600	2,137	0	PT
93.RD		CRBSSSS17005101MOD02	3600	87,618	0	PT
93.RD		HHSN27200013 MOD01	3600	736,651	0	PT
93.RD		HR15-APLINA-2-SIBCR	3600	20,429	0	PT
93.RD		K002342-00-S02	3600	14,720	0	PT
93.RD		KB211-WALDHS1-2-SIBCR	3600	5,392	0	PT
93.RD		MOD09	3600	3,360	0	PT
93.RD		P1090 PO#2002565212	3600	6,365	0	PT
93.RD		P9825 / P9881 AM02	3600	24,171	0	PT
93.RD		PO 1000757594	3600	9,367	0	PT
93.RD		PO111110200201587699	3600	2,793	0	PT
93.RD		PROJECT602005TO5MOD2	3600	11,872	0	PT
93.RD		RNG002833BUDG03SUBU	3600	18,716	0	PT
93.RD		RNG209676-BUDG01-UW-	3600	63,527	0	PT
93.RD		SHS-TA1001UW	3600	7,709	0	PT
93.RD		SP003377960044358UWAS	3600	9,929	0	PT
93.RD		SP003377960047201UWAS	3600	1,231	0	PT
93.RD		SUBCONTRACT NO.3	3600	189,541	82,774	PT
93.RD		SUBCONTRACT NO.3	3600	390,345	0	PT
93.RD		TO # TOASNHP033	3600	(68)	0	PT
93.RD		TO02PROJ602002MOD04	3600	8,455	0	PT
93.RD		TO1PO2017135605MOD07	3600	14,207	0	PT

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

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**Research and Development**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.RD	Department of Health and Human Services - Unknown	TO1PO2017135608MOD07	3600	92,327		0 PT
93.RD		UW631106	3600	3,481		0 PT
93.RD		UW632088	3600	30,498		0 PT
93.RD		UW632909	3600	(9,038)		0 PT
93.RD		UW633450	3600	3		0 PT
93.RD		UW634164	3600	11,829		0 PT
93.RD		UW634435	3600	654,161		0 PT
93.RD		UW636179	3600	53,321		0 PT
93.RD		UW637284	3600	13,163		0 PT
93.RD		UW638536	3600	7,169		0 PT
93.RD		UW638905	3600	30,893		0 PT
93.RD		UW639129	3600	1,542		0 PT
93.RD		UW639250	3600	7,170		0 PT
93.RD		UW660451	3600	1		0 PT
93.RD		UW664813	3600	18,375		0 PT
93.RD		UW667235	3600	(10,969)		0 PT
93.RD		UW668448	3600	(911)		0 PT
93.RD		UWCRYO-13600	3600	(17,044)		0 PT
93.RD		UWIPD-13600	3600	28,393		0 PT
93.RD		UWNMR-13600	3600	52,515		0 PT
93.RD		UWPPG-13600	3600	219,208		0 PT
93.RD		UWPPG-13601	3600	65,261		0 PT
<b>Federal Program 93.RD Total</b>				<b>24,940,567</b>	<b>5,066,167</b>	
<b>HHS Contract Number Only Provided Total</b>				<b>24,940,567</b>	<b>5,066,167</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>589,557,456</b>	<b>74,525,777</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Social Security Administration**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
96.007	Social Security Research and Demonstration	40112S05299 AM03	3600	97,718		0 PT
<b>Federal Program 96.007 Total</b>				<b>97,718</b>		<b>0</b>
<b>Social Security Administration Total</b>				<b>97,718</b>		<b>0</b>
<b>Social Security Administration Total</b>				<b>97,718</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Dept of Homeland Security**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
97.RD	Homeland Security - Unknown CFDA Number		3600	349,517	68,706	
97.RD		91804998 AM01	3600	1,963		0 PT
97.RD		91804998 AM03	3600	25,117		0 PT
97.RD		B7616026.00	3600	30,014		0 PT
<b>Federal Program 97.RD Total</b>				<b>406,611</b>	<b>68,706</b>	
<b>Hs Contract Number Only Provided Total</b>				<b>406,611</b>	<b>68,706</b>	
<b>Dept of Homeland Security Total</b>				<b>406,611</b>	<b>68,706</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**U.S. Agency for International Development**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
98.RD	US Agency for International Development - Unknown	20140022312	3650	41,157	0	PT
98.RD		RC102095B1005	3650	19,917	0	PT
<b>Federal Program 98.RD Total</b>				<b>61,074</b>	<b>0</b>	
<b>US Agency for International Development Total</b>				<b>61,074</b>	<b>0</b>	
<b>U.S. Agency for International Development Total</b>				<b>61,074</b>	<b>0</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Research and Development**

**Undetermined Fed Agency**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
99.RD	Federal Assistance - Miscellaneous - Unknown CFDA		3600	178,385	62,095	
99.RD		1740060301MOD03PO1900	3600	101,931	0	PT
99.RD		UW668804	3600	72,594	0	PT
99.RD		RC102095BHEARDBANG	3650	65,869	0	PT
<b>Federal Program 99.RD Total</b>				<b>418,779</b>	<b>62,095</b>	
<b>Unknown Fed Agy Contract Number Only Provided Total</b>				<b>418,779</b>	<b>62,095</b>	
<b>Undetermined Fed Agency Total</b>				<b>418,779</b>	<b>62,095</b>	
<b>Research and Development Total</b>				<b>966,914,646</b>	<b>100,106,878</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Student Financial Assistance**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.007	Federal Supplemental Educational Opportunity Grant		3600	2,670,452	0	
84.007			3650	1,409,603	0	
84.007			3700	483,029	0	
84.007			3750	358,262	0	
84.007			3760	255,740	0	
84.007			6990	4,420,629	0	
<b>Federal Program 84.007 Total</b>				<b>9,597,715</b>	<b>0</b>	
84.033	Federal Work-Study Program		3600	2,259,625	0	
84.033			3650	993,059	0	
84.033			3700	531,254	0	
84.033			3750	403,518	0	
84.033			3760	344,822	0	
84.033			3800	487,325	0	
84.033			6990	3,754,349	0	
<b>Federal Program 84.033 Total</b>				<b>8,773,952</b>	<b>0</b>	
84.038	Federal Perkins Loan Program		3600	(5,994,127)	0	OL
84.038			3600	40,415,375	0	OL
84.038			3650	(2,340)	0	OL
84.038			3650	17,913,366	0	OL
84.038			3700	(912,365)	0	OL
84.038			3700	4,689,942	0	OL
84.038			3750	(861,667)	0	OL
84.038			3750	3,820,520	0	OL
84.038			3760	(585,615)	0	OL
84.038			3760	2,804,643	0	OL
84.038			3800	(1,375,182)	0	OL
84.038			3800	8,591,531	0	OL
84.038			6990	(184,587)	0	OL
84.038			6990	1,028,875	0	OL
<b>Federal Program 84.038 Total</b>				<b>69,348,369</b>	<b>0</b>	
84.063	Federal Pell Grant Program		3600	51,913,007	0	
84.063			3650	38,184,221	0	
84.063			3700	19,143,642	0	
84.063			3750	19,533,747	0	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Student Financial Assistance**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.063	Federal Pell Grant Program		3760	7,908,879	0	
84.063			3800	17,552,699	0	
84.063			6990	177,906,954	0	
<b>Federal Program 84.063 Total</b>				<b>332,143,149</b>	<b>0</b>	
84.268	Federal Direct Student Loans		3600	290,265,551	0	
84.268			3650	174,879,026	0	
84.268			3700	53,565,541	0	
84.268			3750	64,012,649	0	
84.268			3760	18,800,411	0	
84.268			3800	59,949,270	0	
84.268			6990	87,387,148	0	
<b>Federal Program 84.268 Total</b>				<b>748,859,596</b>	<b>0</b>	
84.379	Teacher Education Assistance for College and High		3650	191,698	0	
84.379			3750	83,583	0	
84.379			3760	7,504	0	
<b>Federal Program 84.379 Total</b>				<b>282,785</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>1,169,005,566</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Student Financial Assistance**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.264	Nurse Faculty Loan Program		3600	1,064,282	0	OL
93.264			3600	(181,520)	0	OL
93.264			3650	1,612,063	0	OL
93.264			3650	459,865	0	OL
<b>Federal Program 93.264 Total</b>				<b>2,954,690</b>	<b>0</b>	
93.342	Health Professions Student Loans, Including Primar		3600	2,446,549	0	OL
93.342			3600	11,567,959	0	OL
93.342			3650	965,403	0	OL
93.342			3650	2,009,634	0	OL
<b>Federal Program 93.342 Total</b>				<b>16,989,545</b>	<b>0</b>	
93.364	Nursing Student Loans		3600	2,542,690	0	OL
93.364			3600	357,519	0	OL
93.364			3650	579,598	0	OL
93.364			3650	118,500	0	OL
<b>Federal Program 93.364 Total</b>				<b>3,598,307</b>	<b>0</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>23,542,542</b>	<b>0</b>	
<b>Student Financial Assistance Total</b>				<b>1,192,548,108</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**SNAP**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.551	Supplemental Nutrition Assistance Program		3000	(542)		0
10.551			3000	1,207,552,093		0 NC
<b>Federal Program 10.551 Total</b>				<b>1,207,551,551</b>		<b>0</b>
10.561	State Administrative Matching Grants for the Suppl		3000	110,056,374	10,679,101	
10.561		116-BFET-19	6990	53,921		0 PT
<b>Federal Program 10.561 Total</b>				<b>110,110,295</b>	<b>10,679,101</b>	
<b>Dept of Agriculture Total</b>				<b>1,317,661,846</b>	<b>10,679,101</b>	
<b>SNAP Total</b>				<b>1,317,661,846</b>	<b>10,679,101</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Food Distribution**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.565	Commodity Supplemental Food Program		4950	424,453	398,924	
<b>Federal Program 10.565 Total</b>				<b>424,453</b>	<b>398,924</b>	
10.568	Emergency Food Assistance Program (Administrative		4950	2,720,624	2,366,865	
<b>Federal Program 10.568 Total</b>				<b>2,720,624</b>	<b>2,366,865</b>	
10.569	Emergency Food Assistance Program (Food Commoditie		4950	18,901,594	18,901,594	NC
<b>Federal Program 10.569 Total</b>				<b>18,901,594</b>	<b>18,901,594</b>	
<b>Dept of Agriculture Total</b>				<b>22,046,671</b>	<b>21,667,383</b>	
<b>Food Distribution Total</b>				<b>22,046,671</b>	<b>21,667,383</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Child Nutrition**

**Dept of Agriculture**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.553	School Breakfast Program		3500	58,436,250	58,436,250	
	<b>Federal Program 10.553 Total</b>			<b>58,436,250</b>	<b>58,436,250</b>	
10.555	National School Lunch Program		3500	202,567,746	202,567,746	
10.555			3500	30,816,587	30,816,587	NC
	<b>Federal Program 10.555 Total</b>			<b>233,384,333</b>	<b>233,384,333</b>	
10.556	Special Milk Program for Children		3500	179,474	179,474	
	<b>Federal Program 10.556 Total</b>			<b>179,474</b>	<b>179,474</b>	
10.559	Summer Food Service Program for Children		3500	5,830,940	5,670,111	
	<b>Federal Program 10.559 Total</b>			<b>5,830,940</b>	<b>5,670,111</b>	
	<b>Dept of Agriculture Total</b>			<b>297,830,997</b>	<b>297,670,168</b>	
	<b>Child Nutrition Total</b>			<b>297,830,997</b>	<b>297,670,168</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Fish and Wildlife**

**Dept of the Interior**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
15.605	Sport Fish Restoration		4770	7,116,165	0	
15.605		18-121G	4770	44,251	0	PT
<b>Federal Program 15.605 Total</b>				<b>7,160,416</b>	<b>0</b>	
15.611	Wildlife Restoration and Basic Hunter Education		4770	15,626,494	0	
<b>Federal Program 15.611 Total</b>				<b>15,626,494</b>	<b>0</b>	
<b>Dept of the Interior Total</b>				<b>22,786,910</b>	<b>0</b>	
<b>Fish and Wildlife Total</b>				<b>22,786,910</b>	<b>0</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Employment Service**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.207	Employment Service/Wagner-Peyser Funded Activities		5400	15,755,499		0
<b>Federal Program 17.207 Total</b>				<b>15,755,499</b>		<b>0</b>
17.801	Disabled Veterans' Outreach Program (DVOP)		5400	3,593,307		0
<b>Federal Program 17.801 Total</b>				<b>3,593,307</b>		<b>0</b>
17.804	Local Veterans' Employment Representative Program		5400	1,342,901		0
<b>Federal Program 17.804 Total</b>				<b>1,342,901</b>		<b>0</b>
<b>Dept of Labor Total</b>				<b>20,691,707</b>		<b>0</b>
<b>Employment Service Total</b>				<b>20,691,707</b>		<b>0</b>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**WIOA**

**Dept of Labor**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
17.258	WIOA Adult Program		5400	18,256,457	17,820,892	
17.258		108017010	6990	31,866		0 PT
17.258		17-201-UPS	6990	91,184		0 PT
17.258		18-EVCC-X-376-CCW	6990	16,204		0 PT
17.258		2018-WIOA	6990	59,687		0 PT
17.258		845	6990	4,232		0 PT
<b>Federal Program 17.258 Total</b>				<b>18,459,630</b>	<b>17,820,892</b>	
17.259	WIOA Youth Activities		5400	18,616,569	16,818,246	
17.259		16EDCCX291YOUTH	6990	23,206		0 PT
17.259		18-EVCC-x-369-Youth	6990	31,264		0 PT
<b>Federal Program 17.259 Total</b>				<b>18,671,039</b>	<b>16,818,246</b>	
17.278	WIOA Dislocated Worker Formula Grants		5400	26,446,114	25,918,218	
<b>Federal Program 17.278 Total</b>				<b>26,446,114</b>	<b>25,918,218</b>	
<b>Dept of Labor Total</b>				<b>63,576,783</b>	<b>60,557,356</b>	
<b>WIOA Total</b>				<b>63,576,783</b>	<b>60,557,356</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Federal Transit**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.500	Federal Transit Capital Investment Grants		4050	1,324,270		0
	<b>Federal Program 20.500 Total</b>			<b>1,324,270</b>		<b>0</b>
20.507	Federal Transit Formula Grants		4050	54,126,562		0
	<b>Federal Program 20.507 Total</b>			<b>54,126,562</b>		<b>0</b>
20.525	State of Good Repair Grants Program		4050	7,583,145		0
	<b>Federal Program 20.525 Total</b>			<b>7,583,145</b>		<b>0</b>
20.526	Bus and Bus Facilities Formula Program		4050	4,674,872	4,674,872	
	<b>Federal Program 20.526 Total</b>			<b>4,674,872</b>	<b>4,674,872</b>	
	<b>Dept of Transportation Total</b>			<b>67,708,849</b>	<b>4,674,872</b>	
	<b>Federal Transit Total</b>			<b>67,708,849</b>	<b>4,674,872</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Highway Safety**

**Dept of Transportation**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.600	State and Community Highway Safety	K13947-PI18	2250	1,303	0	PT
20.600			2280	5,847,659	3,760,148	
20.600		CONSULTING CONTRACT	3700	21,084	0	PT
<b>Federal Program 20.600 Total</b>				<b>5,870,046</b>	<b>3,760,148</b>	
20.616	National Priority Safety Programs		2280	4,515,945	4,515,945	
<b>Federal Program 20.616 Total</b>				<b>4,515,945</b>	<b>4,515,945</b>	
<b>Dept of Transportation Total</b>				<b>10,385,991</b>	<b>8,276,093</b>	
<b>Highway Safety Total</b>				<b>10,385,991</b>	<b>8,276,093</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Special Education (IDEA)**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.027	Special Education Grants to States		3500	237,418,970	233,863,792	
84.027		1211700007	3750	4,074	0	PT
84.027		1211800007	3750	105,258	0	PT
84.027		0327413	3760	170,217	0	PT
<b>Federal Program 84.027 Total</b>				<b>237,698,519</b>	<b>233,863,792</b>	
84.173	Special Education Preschool Grants		3500	7,905,934	7,332,966	
84.173		1211700008	3750	30,747	0	PT
84.173		1211800008	3750	14,639	0	PT
84.173		0387413	3760	29,148	0	PT
<b>Federal Program 84.173 Total</b>				<b>7,980,468</b>	<b>7,332,966</b>	
<b>Dept of Education Total</b>				<b>245,678,987</b>	<b>241,196,758</b>	
<b>Special Education (IDEA) Total</b>				<b>245,678,987</b>	<b>241,196,758</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**TRIO**

**Dept of Education**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
84.042	TRIO Student Support Services		3600	736,180	0	
84.042			3650	709,431	0	
84.042			3750	273,820	0	
84.042			3760	309,625	0	
84.042			6990	6,529,296	0	
<b>Federal Program 84.042 Total</b>				<b>8,558,352</b>	<b>0</b>	
84.044	TRIO Talent Search		3600	325,156	0	
84.044			6990	923,809	0	
<b>Federal Program 84.044 Total</b>				<b>1,248,965</b>	<b>0</b>	
84.047	TRIO Upward Bound		3600	1,345,847	0	
84.047			3650	2,194,409	0	
84.047			3760	1,775,891	0	
84.047			6990	3,254,278	0	
<b>Federal Program 84.047 Total</b>				<b>8,570,425</b>	<b>0</b>	
84.066	TRIO Educational Opportunity Centers		3750	316,992	0	
84.066			6990	279,043	0	
<b>Federal Program 84.066 Total</b>				<b>596,035</b>	<b>0</b>	
84.217	TRIO McNair Post-Baccalaureate Achievement		3600	248,603	0	
84.217			3650	230,646	0	
84.217			3700	261,580	0	
84.217			3750	223,113	0	
<b>Federal Program 84.217 Total</b>				<b>963,942</b>	<b>0</b>	
<b>Dept of Education Total</b>				<b>19,937,719</b>	<b>0</b>	
<b>TRIO Total</b>				<b>19,937,719</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Aging**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.044	Special Programs for the Aging Title III, Part B G		3000	11,182,462	10,337,763	
<b>Federal Program 93.044 Total</b>				<b>11,182,462</b>	<b>10,337,763</b>	
93.045	Special Programs for the Aging Title III, Part C N		3000	12,365,574	12,365,574	
<b>Federal Program 93.045 Total</b>				<b>12,365,574</b>	<b>12,365,574</b>	
93.053	Nutrition Services Incentive Program		3000	2,312,000	2,312,000	
<b>Federal Program 93.053 Total</b>				<b>2,312,000</b>	<b>2,312,000</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>25,860,036</b>	<b>25,015,337</b>	
<b>Aging Total</b>				<b>25,860,036</b>	<b>25,015,337</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**CCDF**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.575	Child Care and Development Block Grant		3000	108,884,475		0
93.575			3070	67,436,782	12,295,936	
<b>Federal Program 93.575 Total</b>				<b>176,321,257</b>	<b>12,295,936</b>	
93.596	Child Care Mandatory and Matching Funds of the Chi		3070	95,892,619		0
<b>Federal Program 93.596 Total</b>				<b>95,892,619</b>	<b>0</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>272,213,876</b>	<b>12,295,936</b>	
<b>CCDF Total</b>				<b>272,213,876</b>	<b>12,295,936</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Medicaid**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.775	State Medicaid Fraud Control Units		1000	5,140,955		0
<b>Federal Program 93.775 Total</b>				<b>5,140,955</b>		<b>0</b>
93.777	State Survey and Certification of Health Care Prov		3000	12,172,387		0
93.777			3030	2,142,015		0
<b>Federal Program 93.777 Total</b>				<b>14,314,402</b>		<b>0</b>
93.778	Medical Assistance Program		1050	280,817		0
93.778			1070	6,506,376,005	12,165,203	
93.778			3000	2,303,772,445	42,814,452	
93.778			3070	24,414,996		0
<b>Federal Program 93.778 Total</b>				<b>8,834,844,263</b>	<b>54,979,655</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>8,854,299,620</b>	<b>54,979,655</b>	
<b>Medicaid Total</b>				<b>8,854,299,620</b>	<b>54,979,655</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Forest Service Schools and Roads**

**Dept of Agriculture**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
10.665	Schools and Roads - Grants to States		0050	14,929,910		0
<b>Federal Program 10.665 Total</b>				<b>14,929,910</b>		<b>0</b>
<b>Dept of Agriculture Total</b>				<b>14,929,910</b>		<b>0</b>
<b>Forest Service Schools and Roads Total</b>				<b>14,929,910</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Disability Insurance/SSI**

**Social Security Administration**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
96.001	Social Security Disability Insurance		3000	49,900,990		0
<b>Federal Program 96.001 Total</b>				<b>49,900,990</b>		<b>0</b>
<b>Social Security Administration Total</b>				<b>49,900,990</b>		<b>0</b>
<b>Disability Insurance/SSI Total</b>				<b>49,900,990</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Highway Planning and Construction**

**Dept of Transportation**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.205	Highway Planning and Construction		0100	99,899,375	0	
20.205		1001326	3650	(209)	0	PT
20.205		WSU201601	3650	36	0	PT
20.205		NONE	3700	4,638	0	PT
20.205			4050	676,139,996	235,883,392	
<b>Federal Program 20.205 Total</b>				<b>776,043,836</b>	<b>235,883,392</b>	
20.219	Recreational Trails Program		4670	1,332,302	1,066,413	
<b>Federal Program 20.219 Total</b>				<b>1,332,302</b>	<b>1,066,413</b>	
20.224	Federal Lands Access Program		4050	445,145	0	
<b>Federal Program 20.224 Total</b>				<b>445,145</b>	<b>0</b>	
<b>Dept of Transportation Total</b>				<b>777,821,283</b>	<b>236,949,805</b>	
<b>Highway Planning and Construction Total</b>				<b>777,821,283</b>	<b>236,949,805</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Economic Development**

**Dept of Commerce**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
11.307	Economic Adjustment Assistance		1030	102,618	0	
11.307		077907257	3650	(528)	0	PT
11.307			6990	220,244	0	
<b>Federal Program 11.307 Total</b>				<b>322,334</b>	<b>0</b>	
<b>Dept of Commerce Total</b>				<b>322,334</b>	<b>0</b>	
<b>Economic Development Total</b>				<b>322,334</b>	<b>0</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Transit Services Programs**

**Dept of Transportation**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
20.513	Enhanced Mobility of Seniors and Individuals With		4050	4,741,363	4,124,986	
<b>Federal Program 20.513 Total</b>				<b>4,741,363</b>	<b>4,124,986</b>	
<b>Dept of Transportation Total</b>				<b>4,741,363</b>	<b>4,124,986</b>	
<b>Transit Services Programs Total</b>				<b>4,741,363</b>	<b>4,124,986</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**TANF**

**Dept of Health & Human Services**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.558	Temporary Assistance for Needy Families		3000	323,958,896		0
93.558		1665-68116	6990	687,975		0 PT
93.558		C18-181	6990	7,104		0 PT
<b>Federal Program 93.558 Total</b>				<b>324,653,975</b>		<b>0</b>
<b>Dept of Health &amp; Human Services Total</b>				<b>324,653,975</b>		<b>0</b>
<b>TANF Total</b>				<b>324,653,975</b>		<b>0</b>

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.



**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Health Center Program**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.224	Health Center Program (Community Health Centers, M	2987 CHS	3600	50,155	0	PT
<b>Federal Program 93.224 Total</b>				<b>50,155</b>	<b>0</b>	
93.527	Grants for New and Expanded Services Under the Hea	3965 CHS	3600	38,587	0	PT
<b>Federal Program 93.527 Total</b>				<b>38,587</b>	<b>0</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>88,742</b>	<b>0</b>	
<b>Health Center Program Total</b>				<b>88,742</b>	<b>0</b>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Clean Water State Revolving Fund**

**Environmental Protection Agency**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
66.458	Capitalization Grants for Clean Water State Revolv		4610	26,979,328	26,979,328	
<b>Federal Program 66.458 Total</b>				<b>26,979,328</b>	<b>26,979,328</b>	
<b>Environmental Protection Agency Total</b>				<b>26,979,328</b>	<b>26,979,328</b>	
<b>Clean Water State Revolving Fund Total</b>				<b>26,979,328</b>	<b>26,979,328</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Drinking Water State Revolving Fund**

**Environmental Protection Agency**

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<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
66.468	Capitalization Grants for Drinking Water State Rev		3030	23,429,668	17,383,836	
<b>Federal Program 66.468 Total</b>				<b>23,429,668</b>	<b>17,383,836</b>	
<b>Environmental Protection Agency Total</b>				<b>23,429,668</b>	<b>17,383,836</b>	
<b>Drinking Water State Revolving Fund Total</b>				<b>23,429,668</b>	<b>17,383,836</b>	

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The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**State of Washington  
Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

**Maternal, Infant, and Early Childhood Home Visitin**

**Dept of Health & Human Services**

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>State Agency No.</b>	<b>Expenditure Amount</b>	<b>Expend Amts Passed Through to Subrecipients</b>	<b>See Note E</b>
93.870	Maternal, Infant and Early Childhood Home Visitin		3070	11,196,211	8,059,245	
<b>Federal Program 93.870 Total</b>				<b>11,196,211</b>	<b>8,059,245</b>	
<b>Dept of Health &amp; Human Services Total</b>				<b>11,196,211</b>	<b>8,059,245</b>	
<b>Maternal, Infant, and Early Childhood Home Visitin Total</b>				<b>11,196,211</b>	<b>8,059,245</b>	

<b>Total Federal Assistance</b>	<b>17,959,238,413</b>	<b>2,039,242,636</b>
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Footnotes:

NC - Expenditure amount noncash in nature

PT - Expenditure, Pass-through in nature (federal funds received through another nonfederal entity).

OL - Loan Amount (outstanding loan amounts to date).

**The notes to the schedule of expenditures of federal awards are an integral part of this schedule.**

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**State of Washington**  
**Notes to the Schedule of Expenditures of Federal Awards**

*For the Fiscal Year Ended  
June 30, 2019*

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in Whole Dollars)*

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Note A: **Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the state's financial statements and is presented for purposes of additional analysis. The Schedule is required by the Office of Management and Budget (OMB) Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards.

Note B: **Significant Accounting Policies**

Note B1: **Basis of Presentation** - The information in the Schedule is presented in accordance with the OMB Uniform Guidance.

- Federal Financial Assistance - Pursuant to the Single Audit Act of 1984 (Public Law 98-502); the Single Audit Act Amendments of 1996 (Public Law 104-156); and OMB Uniform Guidance federal financial assistance, hereafter referred to as federal assistance, is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Accordingly, non-monetary or non-cash federal assistance, including electronic benefit cards, food commodities, immunization supplies and surplus property, is federal assistance and, therefore, is reported on the Schedule. Federal financial assistance does not include direct federal cash assistance to individuals or solicited contracts between the state and federal agencies for which the state provides tangible goods or services, acting as a vendor.
- Catalog of Federal Domestic Assistance (CFDA) - OMB Uniform Guidance requires the Schedule to show total expenditures expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

Each program included in the CFDA is assigned a five-digit program identification number (CFDA number), the first two digits designating federal agency and the last three digits designating federal assistance program within the federal agency. The CFDA number is reflected in the Schedule.

For federal assistance programs and awards that have no assigned CFDA numbers, federal awards to non-Federal entities from the same agency made for the same purpose are combined and considered as one program. If the CFDA three-digit extension is unknown, it shall be assigned a "U" followed by a two-digit number (e.g., U01, U02, etc.). If the Federal program is part of the Research and Development (R&D) cluster and the CFDA extension is unknown, "RD" shall be used as the CFDA extension.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in Whole Dollars)*

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- Cluster of Programs - Closely related programs with different CFDA numbers that share common compliance requirements are to be considered a cluster of programs. The Schedule is structured to present the federal assistance information by cluster with the title of the cluster appearing in the heading. Programs not included within a designated cluster are presented under the title Programs Not Clustered. The only program clusters presented on the Schedule are those mandated by OMB in the most recent Compliance Supplement (July 2019). No expenditures of federal awards were recorded in the following mandated clusters in the report year:

Section 8 Project-Based  
Foster Grandparent/Senior Companion  
Foreign Food Aid Donation  
CDBG – Entitlement Grants  
Housing Voucher  
CDFI  
Community Facilities Loans and Grants  
HOPE VI  
Hurricane Sandy Relief  
CDBG – Disaster Recovery Grants – Pub L. No. 113-2

Note B2: Reporting Entity - The state reporting entity is fully described in Note 1A to the state's financial statements. The Schedule includes the activity of all federal assistance programs administered by the state during fiscal year ending June 30, 2019. All component units are excluded from the schedule and are subject to separate audits in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Note B3: Basis of Accounting - Federal assistance programs included in the Schedule are reported in the state's financial statements as federal grants-in-aid in the General, Special Revenue, Debt Service, Capital Projects, and Permanent Funds and as other revenue in proprietary and fiduciary funds. The Schedule is presented using the same basis of accounting as that used in reporting the expenditures of the related funds in the state's fund financial statements. The basis of accounting used for each fund type is described in Note 1C to the state's financial statements.

- Indirect Costs - The Schedule includes a portion of costs associated with general activities which is allocated to federal assistance programs under negotiated formulas commonly referred to as indirect cost rates and federally approved cost allocation plans. The Schedule also includes the indirect costs of agencies that have elected to use the 10% de minimis rate in accordance with the Uniform Guidance. Reimbursement of state central service costs, achieved via the federally approved Statewide Central Services Cost Allocation Plan, is not reflected on the Schedule. A total of \$1,414,501 was recovered for state central service costs during fiscal year ending June 30, 2019.
- Matching Costs - The Schedule does not include matching expenditures with the exception specified in Note C to the Schedule.

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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended*  
*June 30, 2019*  
*(Expressed in Whole Dollars)*

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- Non-monetary Assistance - Non-monetary assistance programs included on the Schedule are identified with a non-cash expenditure (NC) including:
  1. The **Supplemental Nutrition Assistance Program (SNAP)** is administered through Electronic Benefit (EBT) cards that provide each eligible client with an authorized limit of service (purchase of specific food products). The dollar expenditure reported for the SNAP consists of actual disbursements for client purchases of authorized food products via the EBT card program.
  2. The **Temporary Emergency Food Assistance and National School Lunch** programs are presented at the federally assigned value of product disbursed by the state.
  3. The **Surplus Property** program is presented at the fair market value of the property distributed. The fair market value was estimated to be 22.47% of the property's original acquisition value.
  4. The **Immunization Vaccine** programs are presented at the federally assigned value of product disbursed by the state.
- Pass-Through Federal Assistance (state as subrecipient included on the Schedule) - The majority of the state's federal assistance is received directly from federal awarding agencies (i.e., the state is the primary recipient). However, state agencies receive some federal assistance that is passed through a separate entity prior to receipt by the state (i.e., the state is a subrecipient). Although this type of assistance is included on the Schedule as "Pass-Through" (PT), it is not reported as federal revenue on the state's basic financial statements because it was not awarded directly from the federal government to the state. Additional detail related to this type of pass through assistance is provided in Note F to the Schedule.
- Pass-Through Federal Assistance (state as subrecipient not included on the Schedule) – The state is a direct recipient of U.S. Department of Labor Workforce Investment Act (WIA) funds. These funds are reported on the Schedule. A large portion of these funds are passed through to non-state entities that, in certain instances, subaward the same funds back to the state. The dollar amount of these subawards, while included in the scope of the Single Audit, are not reported by the state on the Schedule since they are already part of the amount reported as direct assistance. Additional detail related to this type of pass through assistance is provided in Note G to the Schedule.
- Federal transactions between state agencies - Some state agencies subaward federal assistance to other state agencies (i.e., a pass-through of funds by the primary recipient organization to a subrecipient state organization). In these situations, the federal revenue and expenditures are only reported once within the same fund in the state's financial statements in accordance with generally accepted accounting principles (GAAP) and reported once on the Schedule. This method avoids duplication and the overstatement of the aggregate level of federal assistance expended by the state. However, purchases of services between state organizations using federal monies are reported in the financial statements as expenditures or expenses by the purchasing organization and as revenues for services rendered by the providing organization.



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**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Notes A – E**

*For the Fiscal Year Ended  
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Note B4:            Presentation Comments

- Private company rebate activity is not included on the Schedule. Due to the significance of the resources provided by this rebate activity, the following amounts are disclosed for fiscal year ending June 30, 2019:  
  
10.557 - Special Supplemental Nutrition Program for WIC..... \$20,386,268  
(Infant formula rebates provided by private companies)  
  
93.917 - HIV Care..... \$89,588  
(Immunization rebates provided by private pharmaceutical companies)
- Expenditures for the federal share of bond repayment are not included on the Schedule. Due to the significance of the federal participation, the following amount is disclosed for the fiscal year ending June 30, 2019:  
  
20.205 Debt service costs for Referendum 49 bonds..... \$3,747,512
- State agency numbers used in the Schedule can be referenced, either by number (listed numerically) or name of the agency (listed alphabetically), in the Appendix.

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Note C:            **Unemployment Insurance (U.I.) Program, Employer (State) Financial Participation**

As required by U.S. Department of Labor letter dated December 24, 1997, the expenditures reported on the Schedule for Unemployment Insurance, CFDA Program No. 17.225, for fiscal year ending June 30, 2019 include:

State of Washington/Employer Funded.....	\$926,990,390
Federal Funds.....	124,984,753
Total	<u>\$ 1,051,975,143</u>

Note D:            **Non-monetary Assistance Inventory**

As described previously in Note B3, non-monetary assistance is reported in the Schedule. As of June 30, 2019, the state held the following inventories of non-monetary assistance:

Food Commodities (10.565 and 10.569) .....	\$ 4,495,390
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Note E:            **Other Footnote Designations**

The following footnote codes are utilized in the Schedule (far right column):

NC - Non-cash expenditures.

PT - Pass Through (expenditures of federal assistance received from a nonfederal entity).

OL – The balance of loans from previous years, for which the federal government imposes continuing compliance requirements.

**State of Washington**  
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**Note F: Supplemental Information for Pass-Through Funds**

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.001	3650	COTTON INCORPORATED	WSU003470	132,902
10.001	3650	OR ST UNIV FED	R0615A-A	71,107
10.025	3650	WA STATE RECREATION & CONS OFF	182432	16,190
10.170	3650	VIVA FARMS	ORSO131825001	3,324
10.200	3650	CO ST UNIV	G140261	2,004
10.200	3650	CO ST UNIV	WSU003892	407
10.200	3650	UNIV OF CA DAVIS	20150258701WSU	6,644
10.200	3650	UNIV OF CA DAVIS	20150258715WSU	45
10.200	3650	UNIV OF CA DAVIS	20150258717WSU	-4,667
10.200	3650	UNIV OF CA DAVIS	A180916S001	1,440
10.200	3650	UNIV OF CA DAVIS	A180916S002	6,357
10.200	3650	UNIV OF CA DAVIS	A180916S003	52,908
10.200	3650	UNIV OF CA DAVIS	A180916S004	25,942
10.200	3650	UNIV OF CA DAVIS	A180916S049	7,442
10.200	3650	UNIV OF CA DAVIS	A180916S074	17,050
10.200	3650	UNIV OF CA DAVIS	A180916S076	262
10.200	3650	UNIV OF CA DAVIS	A180916S077	6,647
10.215	3650	MT ST UNIV - BOZEMAN	G16219W7506	1,205
10.215	3650	MT ST UNIV - BOZEMAN	GAR33193263	478
10.215	3650	UT ST UNIV - FED FLOW	140867029223	17,175
10.215	3650	UT ST UNIV - FED FLOW	15089300001266	1,297
10.215	3650	UT ST UNIV - FED FLOW	15089300001268	5,957
10.215	3650	UT ST UNIV - FED FLOW	15089300001271	6,538
10.215	3650	UT ST UNIV - FED FLOW	150893169	42,151
10.215	3650	UT ST UNIV - FED FLOW	200592380	28,715
10.215	3650	UT ST UNIV - FED FLOW	200592444	15,970
10.215	3650	UT ST UNIV - FED FLOW	200592445	10,547
10.215	3650	UT ST UNIV - FED FLOW	201207511	24,550

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.215	3650	UT ST UNIV - FED FLOW	201207548	71,625
10.215	3650	UT ST UNIV - FED FLOW	201207564	21,184
10.215	3650	UT ST UNIV - FED FLOW	201207568	9,963
10.215	3650	UT ST UNIV - FED FLOW	201207595	24,627
10.217	3650	SOUTH DAKOTA STATE UNIV	3TH607	8,679
10.227	3800	Northwest Indian College	NWIC-SA28759-WWU	1,559
10.303	3650	NORTH DAKOTA STATE UNIVERSITY	FAR0021477	-15,748
10.304	3650	UNIV OF CA-DAVIS FED	20160379404	55,716
10.307	3650	MT ST UNIV - BOZEMAN	G19419W7408	21,151
10.307	3650	OR ST UNIV FED	C0519AA	43,771
10.307	3650	UT ST UNIV - FED FLOW	14082302	58,387
10.308	3650	UNIV OF GA FED FLOW	RR6444188644577	70
10.308	3650	UNIV OF GA FED FLOW	SUB00000421	3,677
10.309	3600	KANSAS STATE UNIVERSITY	S15187 MOD02	1,984
10.309	3650	CORNELL UNIV FED FLOW	7399910422	94,717
10.309	3650	CORNELL UNIV FED FLOW	7961110753	154,672
10.309	3650	CORNELL UNIV FED FLOW	8198010924	38,113
10.309	3650	MI ST UNIV	RC104285L	610,103
10.309	3650	MI ST UNIV	RC106347WSU	69,882
10.309	3650	MT ST UNIV - BOZEMAN	G18219W7553	33,277
10.309	3650	NC ST UNIV - FED FLOW	2011160914	-69
10.309	3650	NC ST UNIV - FED FLOW	2016149806	112,047
10.309	3650	NC ST UNIV - FED FLOW	2017039813	153,047
10.309	3650	UNIV OF AR	9144702	88,855
10.309	3650	UNIV OF CA DAVIS	20140375704	178,888
10.309	3650	UNIV OF FL FED FLOW	UFDSP00010606	60,305
10.309	3650	UNIV OF FL FED FLOW	UFDSP00012310	54,430
10.309	3650	UNIV OF TN FED FLOW	8500042730	651,983

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.309	3650	UNIV OF WI MADISON	350K873	5
10.310	3600	UNIVERSITY OF WISCONSIN MADISON	612K032 AM03	74,855
10.310	3650	BAYLOR COLLEGE OF MED FED	102117659	323,709
10.310	3650	FLORIDA A&M UNIVERSITY	C4996	140,525
10.310	3650	MI ST UNIV	RC104967WSU	182,018
10.310	3650	MI ST UNIV FED FLOW	RC105806WSU	30,809
10.310	3650	NC ST UNIV - FED FLOW	2018031801	15,532
10.310	3650	UNIV OF CA DAVIS	20101571807	83
10.310	3650	UNIV OF CA DAVIS	20122309005	16,017
10.310	3650	UNIV OF CA DAVIS	20160356617	68,264
10.310	3650	UNIV OF CA DAVIS	A181616S001	64,197
10.310	3650	UNIV OF FL FED FLOW	UFDSP00011803	81,667
10.310	3650	UNIV OF ID FED	BGK418SB001	1,886
10.310	3650	UNIV OF ID FED	BJKL03SB002	-2,894
10.310	3650	UNIV OF ID FED	BJKP55SB002	18,021
10.310	3650	UNIV OF ID FED	BJKQ80SB001	374,488
10.310	3650	UNIV OF ID FED	BKK664SB001	20,808
10.310	3650	UNIV OF IL FED FLOW	07594515343	39,493
10.310	3650	UNIV OF MD	58864Z5057201	29,630
10.310	3650	UNIV OF MN FED FLOW	H005365302	3,629
10.310	3650	UNIV OF NORTH TEXAS	GF105031	19,450
10.310	3650	UNIV OF VT FED FLOWTHR	29034SUB51751	19,943
10.310	3650	UNIV OF VT FED FLOWTHR	30122SUBWSU	7,242
10.310	3650	UNIVERSITY OF MISSOURI	C00544064	35,176
10.310	3760	VERMONT UNIV.	30122 SUB52346	5,029
10.310	3800	University Of Notre Dame	202569WWU	8,038
10.311	3650	VIVA FARMS	ORSO130291	1,633
10.311	6990	VIVA Farms	2016-700017-25348	32,594

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.328	3650	UNIV OF ID FED	BLK246SB003	38,525
10.328	3650	UNIV OF TN FED FLOW	9500073538	4,771
10.328	3650	VIVA FARMS	ORSO128916	1,495
10.331	3650	VIVA FARMS	ORSO127670002	13,716
10.351	3600	CENTER FOR INCLUSIVE ENTREPRENEURSHIP	UW635644	22,805
10.351	6990	DOA	R094145 58913	35,387
10.443	3650	VIVA FARMS	134303	19,639
10.443	3650	VIVA FARMS	ORSO130090	22,815
10.460	3650	VIVA FARMS	134767	11,675
10.460	3650	VIVA FARMS	ORSO132302	17,587
10.500	3650	KS ST UNIV	S17103	-299
10.500	3650	KS ST UNIV	S18094	17,609
10.500	3650	KS ST UNIV	S18129	18,304
10.500	3650	KS ST UNIV	S19120	20,259
10.500	3650	KS ST UNIV	S19155	2,983
10.500	3650	PA ST UNIV FED FLOW	5968WSUUM3501	18,791
10.500	3650	PURDUE UNIV	F9000067402012	12,594
10.500	3650	TX A&M UNIV FED	M1800199	31,298
10.561	6990	SBCTC BFET 50%	116-BFET-19	53,921
10.604	3650	ALASKA DEPT OF NATURAL RESOURC	TASC201809	5,599
10.604	3650	NATIONAL POTATO PROMOTION BOAR	130329001	3,043
10.604	3650	UNIV OF CA DAVIS	A160082S002	-312
10.604	3650	WA APPLE COMM	WAC141520	570,140
10.604	3650	WA RED RASPBERRY COMM	ORSO130051	68,659
10.674	3650	WILSON ENGINEERING SERVICES	0100	7,748
10.680	3650	WA ST TREE FRUIT RSCH COMM	1101	17,996
10.680	3800	Cornell University	69329-10949	602
10.680	3800	Cornell University	87313-11118	2,308

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
10.684	3600	WORLD WILDLIFE FUND	HV72	584
10.912	3650	WHATCOM COUNTY CONSERVATION	132276001	12,087
10.RD	3600	WESTERN UNIVERSITY OF HEALTH SCIENCES	20142-DRESCHLER-NIFA	250,644
10.U01	3700	Koman Holdings LLC	UWPP-07	2,006
11.011	3600	FLORIDA INTERNATIONAL UNIVERSITY	800009482-01UG	741
11.011	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	24185600	5,835
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2400-63 AM03	21,611
11.012	3600	ALASKA OCEAN OBSERVING SYSTEM	H2400-82 AM04	5,037
11.012	3600	SOUTHEASTERN UNIVERSITIES RSCH ASSOC INC	2013-014 AM06	7,653
11.012	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF 15-0085 AM03	15,708
11.303	3700	North Central Washington Economic Development District	EDA PARTNERSHIP PLANNI	15,000
11.303	3700	North Central Washington Economic District	EDA ED17SEA3020076	19,699
11.307	3650	OREGON BUILT ENVIRON & SUSTAIN	077907257	-528
11.407	4770	Pacific Salmon Commission	SF-2018-SP-22	34,120
11.407	4770	Pacific Salmon Commission	SF-2018-VHP-12	45,724
11.407	4770	Pacific Salmon Commission	SF-2018-VHP-14A	79,399
11.407	4770	Pacific States Marine Fisheries Commission	19-52G	183
11.407	4770	Pacific States Marine Fisheries Commission	19-68G	111,535
11.417	3600	UNIVERSITY OF HAWAII	MA1310 AM01	28,562
11.417	6990	UW	0648-0362	54,863
11.427	3600	PACIFIC SHELLFISH INSTITUTE	NA15NMF4270322 AM02	33,340
11.427	3600	TULALIP TRIBES	AM01	30,356
11.431	3600	OREGON STATE UNIVERSITY	NA291A-B AM03	116,128
11.431	3600	TEXAS A&M UNIVERSITY CORPUS CHRISTI	16-04 AM03	47,386
11.432	3600	MONTEREY BAY AQUARIUM RESEARCH INSTITUTE	3004716165 PO#1910552	3,888
11.432	3600	UNIVERSITY OF OKLAHOMA	2019-20	18,783
11.432	3800	Pacific Shellfish Institute	NA17NMF4270221	15,126

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11.437	3600	PACIFIC ST MARINE FISHERIES COMMISSION	15-85C AM02	6,219
11.437	3600	PACIFIC ST MARINE FISHERIES COMMISSION	16-104G AM01	84,175
11.437	3600	PACIFIC ST MARINE FISHERIES COMMISSION	17-04G AM02	201,959
11.437	4770	Pacific States Marine Fisheries Commission	17-41C	69,142
11.437	4770	Pacific States Marine Fisheries Commission	19-01G	65,493
11.437	4770	Pacific States Marine Fisheries Commission	19-19G	44,065
11.437	4770	Pacific States Marine Fisheries Commission	19-23G	202,065
11.437	4770	Pacific States Marine Fisheries Commission	19-49G	714,396
11.437	4770	Pacific States Marine Fisheries Commission	19-50G	24,327
11.438	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1704A REV02	87,156
11.438	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1705A REV02	23,934
11.438	4770	Columbia River InterTribal Commission	V419-12	553
11.438	4770	Mid-Columbia Regional Fisheries Enhancement Group	WDFW	150,100
11.439	4770	Pacific States Marine Fisheries Commission	19-59G	152,426
11.441	4770	North Pacific Fishery Management Council	2018-3	4,557
11.441	4770	North Pacific Fishery Management Council	LIA 2019-03	52,182
11.441	4770	Pacific Fishery Management Council	18-116G	131,003
11.452	3600	BERING SEA FISHERMEN'S ASSOCIATION	AC-1515 REV02	35,171
11.463	3600	NATURE CONSERVANCY	WA-S-170307-021-2	14,783
11.463	4770	The nature Conservancy	WA-S-161130-012	55,670
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1509B AM01	36,224
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1603AM01NA15NMF4720173	92,789
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	1615	53,480
11.472	3600	*NORTH PACIFIC RESEARCH BOARD	PROJECT# 1601	54,456
11.472	3600	ALASKA DEPARTMENT OF FISH AND GAME	COOP 18-082 AM01	204,276
11.472	3600	ALASKA DEPARTMENT OF FISH AND GAME	CT 180000354	44,549
11.472	3600	ALASKA OCEAN OBSERVING SYSTEM	A94-00B	6,049
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1533 AM02	7,370



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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1609 AM01	12,323
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1705	105,433
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1722	6,920
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1722-90	2,974
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1724 AM01	107,234
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1805	40,925
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1806	39,348
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1809	108,604
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1810	34,117
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1813	3,654
11.472	3600	NORTH PACIFIC RESEARCH BOARD	1819	52,210
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A92-02A	5,260
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A92-02B	84,621
11.472	3600	NORTH PACIFIC RESEARCH BOARD	A93-02B	84,404
11.472	3600	PRINCE WILLIAM SOUND SCIENCE CENTER	17-75-08 AM02	259,984
11.472	3800	North Pacific Research Board	1427C	39,295
11.472	3800	North Pacific Research Board	1701	42,192
11.472	4770	National Fish & Wildlife Foundation	0303.17.058776	9,159
11.473	3600	NATURE CONSERVANCY	WA-G-170818-006	14,721
11.609	3600	GEORGE WASHINGTON UNIVERSITY	18-S08	36,488
11.619	3600	COLORADO STATE UNIVERSITY	G-00745-1 AM04	82,785
11.RD	3600	BERING SEA FISHERMEN'S ASSOCIATION	1707A	4,121
11.RD	3600	CREARE INC	S615	9,922
11.RD	3600	DOGAMI	632151721	940
11.RD	3600	EXCET INC	P.O.#6841	24,043
11.U01	3650	SYNOPTIC DATA CORP	S20170118	228,230
11.U02	4610	Northwest Straits Foundation	2018-25-NWSC	14,115
12.300	3600	BOSTON UNIVERSITY	4500002947N00014181206	81,004

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
12.300	3600	CARNEGIE MELLON UNIVERSITY	1140209-405780 AM01	96,059
12.300	3600	CORNELL UNIVERSITY ITHACA	78559-10699 AM03	385,045
12.300	3600	CORNELL UNIVERSITY ITHACA	7855910699N00014161261	61,009
12.300	3600	GEORGE MASON UNIVERSITY	E2045223 AM01	344,631
12.300	3600	JOHN CARROLL UNIVERSITY	EGC1A127289	46,465
12.300	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009483 AM02	137,096
12.300	3600	UNIVERSITY OF ROCHESTER	417318URFAOGR510770AM0	107,829
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101380 AM01	71,184
12.300	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101429	39,212
12.300	3650	OCEANS INITIATIVE	WSU003720	68
12.300	3650	PRINCETON UNIV	SUB0000233	55,853
12.300	3650	SMRU LLC	US01	93,877
12.351	3600	UNIVERSITY OF PITTSBURGH	00583204139921AM01	63,803
12.351	3650	PRINCETON UNIV	SUB0000083	-8
12.401	3760	CTR.FOR NAT.LANDS	EWAC20160740	34,343
12.420	3600	BOSTON UNIVERSITY	4500002564	81,955
12.420	3600	CARNEGIE MELLON UNIVERSITY	1130213-394810 AM01	29,824
12.420	3600	DENVER RESEARCH INSTITUTE	MSRC-FY-16-01 MOD01	494,519
12.420	3600	DUKE UNIVERSITY	201114	1,177
12.420	3600	EMORY UNIVERSITY	A037425 MOD03	3,882
12.420	3600	EMORY UNIVERSITY	T659929 AM02	4,867
12.420	3600	FLORIDA STATE UNIVERSITY	R02087	24,309
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814873 AM03	80,785
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000814876 AM3	35,316
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843084 AM02	3,646
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000843085 AM02	1,343
12.420	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977406	52,627
12.420	3600	H LEE MOFFITT CANCER CENTER & RSCH INST	12-18717-99-01-G1 AM03	456,114

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<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-0701-4609 AM02	2,492
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-1031-4609	112,506
12.420	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0258-1031-4609 AM02	197,193
12.420	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.0003 AM02	106,318
12.420	3600	JOHNS HOPKINS UNIVERSITY	2001977042 MOD05	-18,866
12.420	3600	JOHNS HOPKINS UNIVERSITY	2004209935	10,093
12.420	3600	JOHNS HOPKINS UNIVERSITY	PO 2002505331 MOD03	2,622
12.420	3600	JOHNS HOPKINS UNIVERSITY	VUMC37447 MOD05	20
12.420	3600	JOHNS HOPKINS UNIVERSITY	W81XWH1020090 MOD03	7,485
12.420	3600	JOHNS HOPKINS UNIVERSITY (JHU)	PO# 2002478756 MOD01	19,613
12.420	3600	KAISER PERMANENTE	RNG200317-UW AM02	2,321
12.420	3600	MICHIGAN STATE UNIVERSITY	RC108014-UW	22,472
12.420	3600	NORTHERN CALIFORNIA INST FOR RSCH & EDUC	CHAO2022-01 AM02	78,183
12.420	3600	OREGON STATE UNIVERSITY	RM128A-B AM02	128,152
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	JPAPOPE152SIKKEC1SIBCR	7,523
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	MD13-HALSNE-2-SIBCR	7,072
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	MD13-HALSNE-3-SIBCR	50,148
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	MD13-HB1-2-SIBCR	1,696
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	MD13-HB1-3-SIBCR	11,248
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	RE11-ROKHMN-2-SIBCR	9,062
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	RE11CABALD3SIBCR	2,703
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	RE11CABALD4SIBCR MOD01	49,677
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	RE11ROKHMN3SIBCRM01	41,981
12.420	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	RE11SIEA4SIBCRM01	49,024
12.420	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1719 G WB554	39,941
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455 AM06	122,247
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455SC	350,463
12.420	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8455SC AM03	-573

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12.420	3600	UNIVERSITY OF FLORIDA	SUB00001674	116,329
12.420	3600	UNIVERSITY OF ILLINOIS CHICAGO	16704-00 AM01	49,635
12.420	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	61399-Z8524002 AM A	132,726
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003179988 AM06	125,554
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004575805 AM01	28,411
12.420	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00003006 AM07	18,355
12.420	3600	VIRGINIA COMMONWEALTH UNIVERSITY	PT108802-SC104833 AM08	12,225
12.420	3600	WAKE FOREST UNIVERSITY	WFUHS441002BGU02AM07	368
12.420	3650	UNIVERSITY OF CALIFORNIA -	8442SC	-28,978
12.431	3600	FLORIDA STATE UNIVERSITY	R01884 AM02	60,150
12.431	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934254 AM02	131,788
12.431	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	201301077-03 AM12	202,123
12.431	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	S4661 - PO 236230 AM01	212,638
12.431	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	0518 G WA899	82,702
12.431	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1810 AM03	162,518
12.431	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	093111-17349	45,442
12.431	3650	UNIV OF IL FED FLOW	20150616603	63,893
12.610	3600	CENTER FOR NATURAL LANDS MANAGEMENT	WA-S-2014-015-3 AM03	-529
12.630	3600	DIGITAL MFG DESIGN INNOVATION INSTITUTE	0220160028 AM02	44,136
12.630	3600	NATIONAL SCIENCE TEACHER ASSOCIATION	19-871-046	7,693
12.630	6990	ALMMII	N000141420002	45,641
12.750	3600	HENRY M JACKSON FOUNDATION	3810 MOD 3 PO 904589	85,834
12.750	3600	HENRY M JACKSON FOUNDATION	3810 MOD 3 PO 904589	84,762
12.750	3600	HENRY M JACKSON FOUNDATION	4771 PO#960154	39,836
12.750	3650	UNIFORMED UNIV HEALTH SCIENCES	HU00011810043	154,235
12.800	3600	DUKE UNIVERSITY	313-0864	176,555
12.800	3600	FLORIDA STATE UNIVERSITY	R01868 AM02	214,778
12.800	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004246	17,790

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12.800	3600	NORTHWESTERN UNIVERSITY	SP0022325PROJ0007154AM	68,228
12.800	3600	STANFORD UNIVERSITY	60814399-114411 AM09	158,924
12.800	3600	STANFORD UNIVERSITY	61129790-119334 AM02	334
12.800	3600	STANFORD UNIVERSITY	61129790-119334 AM03	64,590
12.800	3600	UNIVERSITY OF NEW MEXICO	707824-874J AM05	235,326
12.800	3650	UNIVERSITY OF UTAH	10049788WSU	129,764
12.910	3600	*TEXAS A&M UNIVERSITY	28-M1702181 AM03	66,169
12.910	3600	HARVARD UNIVERSITY	15328351100270013AM01	119,880
12.910	3600	PRINCETON UNIVERSITY	SUB0000246 AM02	114,286
12.910	3600	PRINCETON UNIVERSITY	SUB0000301 AM02	233,008
12.910	3600	TEXAS A&M UNIVERSITY	28-M1802338 AM02	112,650
12.910	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	67102239 AM04	734,350
12.910	3650	TX A&M UNIV FED	28M1702710	-6,275
12.RD	3600	AIMDYN INC	PRIME HR0011-16-C-0116	38,474
12.RD	3600	AMERICAN BURN ASSOCIATION	UW666356	115,733
12.RD	3600	APPLIED RESEARCH ASSOCIATES INC	S-644-003552-UW MOD01	101,609
12.RD	3600	ARCHIEMD INC	UW639884	48,416
12.RD	3600	BAE SYSTEMS	930600-9	287,102
12.RD	3600	BLACK & VEATCH SPECIAL PROJECTS CORP	PROJECT042959PO170502	1,047,289
12.RD	3600	CFD RESEARCH CORPORATION	9285SUBCONTRACT2016074	131,993
12.RD	3600	CHARLES RIVER ANALYSTICS INC	SC1712603 AM01	67,131
12.RD	3600	CORTANA CORPORATION	191-16-C-0004 MOD01	58,080
12.RD	3600	CREARE INC	SUBCONTRACT # 89236	136,326
12.RD	3600	CREARE INC	SUBCONTRACT89236AM01	-27,011
12.RD	3600	ENGILITY	HPTIDRCSUB2014PETTTUWT	-2,176
12.RD	3600	ERC INC	PS150026 MOD07	75,716
12.RD	3600	GALOIS, INC.	2019-006	183,655
12.RD	3600	GENERAL DYNAMICS LAND SYSTEMS	PO40301399TASKT2C2S1KR	155,677

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12.RD	3600	GENERAL DYNAMICS LAND SYSTEMS	PO40301399TASKT4C3S1JR	217,243
12.RD	3600	GENERAL ELECTRIC COMPANY	401102349 MOD01	319,756
12.RD	3600	HEAT LIGHT & SOUND RESEARCH INC	N68335-17-C-0371	38,463
12.RD	3600	HEAT LIGHT & SOUND RESEARCH INC	NC68335-17-C-0553	68,522
12.RD	3600	HONEYWELL INTERNATIONAL INC	PO #4207023728	65,738
12.RD	3600	HONEYWELL INTERNATIONAL INC	U OF W #A131338	1,343
12.RD	3600	HOUSTON MECHATRONICS	UW636222	136,375
12.RD	3600	JOHNS HOPKINS UNIVERSITY	CONTRACT#132791 MOD03	41,128
12.RD	3600	JOHNS HOPKINS UNIVERSITY	CONTRACT132791MOD01	12,856
12.RD	3600	JOHNS HOPKINS UNIVERSITY	W81XWH-16-2-0060	398
12.RD	3600	LEIDOS	PO10219879	37,261
12.RD	3600	LOCKHEED MARTIN CORPORATION	PO 4102467283 AM05	4,463
12.RD	3600	LOCKHEED MARTIN CORPORATION	PO# 4103296825 MOD 04	167,366
12.RD	3600	LONG LIVE THE KINGS	LLTK-SSMSP-19 AMO3	18,831
12.RD	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	S4749 PO#258284	43,870
12.RD	3600	MATRIX RESEARCH INC	1627-UOW AM01	37,650
12.RD	3600	MATRIX RESEARCH INC	CRFR-009-02-01 MOD04	15,744
12.RD	3600	METRON	6G56-UW MOD02	56,325
12.RD	3600	NATIONAL INSTITUTE OF BUILDING SCIENCES	NAVFACPROJ65TON6247017	46,734
12.RD	3600	NATIONAL TRAUMA INSTITUTE	NTRAP1802W81XWH18C0179	69,490
12.RD	3600	NUMURUS LLC	UW635527	31,626
12.RD	3600	NUMURUS LLC	UW635637	104,429
12.RD	3600	OREGON STATE UNIVERSITY	RM119A-A AM05	105,313
12.RD	3600	PALO ALTO VETERANS INSTITUTE FOR RESEARC	ROS002904AM01POROS0751	142,867
12.RD	3600	PRYTIME MEDICAL DEVICES, INC.	W911QY15C0099SUB3AM01	36,276
12.RD	3600	QUEST INTEGRATED LLC	FIRST AMENDMENT	39
12.RD	3600	QUEST INTEGRATED LLC	PO# 9171	-3,688
12.RD	3600	RAYTHEON BBN	BBN # 14775	40,163

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12.RD	3600	RAYTHEON BBN	LBN9512876 MOD 9	31,787
12.RD	3600	RE2 ROBOTICS INC	1940000022008STARUW	38,274
12.RD	3600	SOTERA DEFENSE SOLUTIONS, INC.	50001920 MOD02	190,860
12.RD	3600	SRI INTERNATIONAL INC	27-001450 MOD08	80,821
12.RD	3600	STOTTLER HENKE ASSOCIATION INC	CKM1STOTTLERHENKEUNIWA	25,876
12.RD	3600	STOTTLER HENKE ASSOCIATION INC	CKM2STOTTLERHENKEUNIVW	13,096
12.RD	3600	SURVICE ENGINEERING COMPANY	S17-033001 MOD001	87,452
12.RD	3600	THERANOVA, LLC	CRD-01-1150	73,375
12.RD	3600	TIERRA DATA INC	SA18004	16,660
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	162643-19-26-C1	15,374
12.RD	3600	UNIVERSAL TECHNOLOGY CORP	17-8400-09-C1 MOD04	30,413
12.RD	3600	UNIVERSIDAD DE CONCEPCION	N00014-17-1-2606	10,387
12.RD	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1295-S-TA153 AM03	78,178
12.RD	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11154SCW81XWH1590001	115,044
12.RD	3600	UNIVERSITY OF CINCINNATI	011138-002	44,330
12.RD	3600	UNIVERSITY OF HAWAII	MA1316 AM01	111,425
12.RD	3600	UNIVERSITY OF HAWAII	MA1316 AM02	148,347
12.RD	3600	UNIVERSITY OF HAWAII	MA1400	6,862
12.RD	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	69333-Z8133201	27,056
12.RD	3600	UNIVERSITY OF MINNESOTA	N006060604 AM02	1,442,932
12.RD	3600	UNIVERSITY OF NOTRE DAME	208107UW	60,982
12.RD	3600	UNIVERSITY OF NOTRE DAME	208126UW AM01	116,162
12.RD	3600	UNIVERSITY OF PITTSBURGH	005666641361418AM02	11,774
12.RD	3600	UNIVERSITY OF WISCONSIN MADISON	804K786	44,326
12.RD	3600	UNIVERSITY OF YORK	R1567501	183,366
12.RD	3600	VCOM3D INC	AFTTS-UW-002 AM04	193,539
12.RD	3600	VERITOX INC	A121653	54,235
12.RD	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101393PROJ49180800AM0	24,004

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12.RD	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	PO M220251	12,231
12.RD	3600	WYLE LABORATORIES	T72595 CO04	1,005
12.RD	3650	APPLIED RESEARCH ASSOCIATES	1352	30,471
12.RD	3650	CARY INSTITUTE	3323200201841	76,134
12.RD	3650	INDUSTRIAL ECONOMICS INC	1107043WSU	1,612
12.RD	3650	LEIDOS ENGINEERING LLC	TASKORDERRELEASE001	1,849
12.RD	3650	LEIDOS ENGINEERING LLC	TASKORDERRELEASE002	6,342
12.RD	3650	LEIDOS ENGINEERING LLC	TASKORDERRELEASE003	128,020
12.RD	3650	MICROWAVE STERILIZATION CONSOR	WSU002917	252
12.RD	3650	MS ST UNIV	19400036135601	140,786
12.RD	3650	OPTO-KNOWLEDGE SYSTEMS	17082801	43,946
12.RD	3650	OPTO-KNOWLEDGE SYSTEMS	19050301	5,008
12.RD	3650	PORTLAND ST UNIV	207LUC595	59,384
12.RD	3650	TUFTS UNIVERSITY	ARM212WSU	105,167
12.RD	3650	UNIV OF COLORADO	FY18937001	16,923
12.RD	3650	VA TECH UNIV	45052819276	96
12.RD	3700	Kemron Environmental Services, Inc	CH0042 T W912DW17F2102	2,081
14.536	3600	DEPAUL UNIVERSITY	501248SG142 AM01	31,546
14.U01	1480	Pierce County	HAPC2019	44,700
15.036	3800	Nooksack Indian Tribe	16-6-55	842
15.036	4770	Columbia River InterTribal Commission	V18-08	3,112
15.156	3600	SUQUAMISH TRIBE	UW636205	63,833
15.232	3600	UNIVERSITY OF IDAHO	GTK601-SB-002 AM01	-17,018
15.232	3600	UTAH STATE UNIVERSITY	200588-00001-323	12,539
15.232	3650	UNIVERSITY OF CA - RIVERSIDE	S000769	2,257
15.423	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF 18-0058	94,168
15.605	4770	Pacific States Marine Fisheries Commission	18-121G	44,251
15.608	3650	NAT'L FISH & WILDLIFE FNDN	201000060075	-8



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15.608	4770	Trout Unlimited Inc	80-888-3052	9,390
15.615	3600	MARIANA ISLANDS DEPT OF LANDS & NAT RES	438401	289,045
15.615	3600	MARIANA ISLANDS DEPT OF LANDS & NAT RES	629463-OM AM01	8,864
15.623	4770	Ducks Unlimited, Inc	WA-331-6	4,846
15.634	4770	Idaho Dept of Fish & Game	IDFW-FY18-198	25,873
15.634	4770	Western Assoc of Fish & Wildlife Agencies	Agreement	6,726
15.657	3760	FISH & WILDLIFE	18-09956	32,458
15.657	4770	Center for Natural lands Management	WA-C-2018-018-0	2,538
15.657	4770	Wildlife Management Institute	WNS 2018-05	24,016
15.663	3650	NAT'L FISH & WILDLIFE FNDN	080918060960	14,982
15.663	4770	National Fish & Wildlife Foundation	0103.13.040396	6,601
15.807	3800	Cascadia Regional Earthquake Workgr	2016.1	9,229
15.820	4770	Oregon State University	GS347A-A	47,181
15.RD	3600	AEROJET ROCKETDYNE	200082121 MOD01	66,728
15.RD	3600	CALIFORNIA DEPT OF FISH AND WILDLIFE	P1880007	100,067
15.RD	3600	IUCN INTL UNION FOR CONSV OF NATURE	AVKE-00077	20,000
15.RD	3600	SRI INTERNATIONAL INC	PO18258 MOD02/AM01	513,238
15.RD	3600	TULALIP TRIBES	UW639375	1,586
15.U01	3650	COLVILLE CONFEDERATED TRIBES	31201711	87,667
15.U03	3650	COLUMBIA RIVER INTER TRIBAL FI	C1711	31,837
15.U07	3650	COLVILLE CONFEDERATED TRIBES	WSU003815	5,245
15.U08	3650	COLVILLE CONFEDERATED TRIBES	WSU004079	2,536
16.540	3600	PENNSYLVANIA COMMISSION ON CRIME	20112013J0326108AM06	6,117
16.560	3600	KING COUNTY	UW664160	110,801
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	10386 AM01	53,045
16.560	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	10790 AM01	57,858
16.560	3650	PA ST UNIV FED FLOW	4972WSUNIJ0055	41,994
16.726	3650	NAT'L 4-H CNCL	2016JUFX0022	10,808

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16.U02	3650	NAT'L 4-H CNCL	2017JUFX0016	42,776
16.U03	3650	NAT'L 4-H CNCL	2018-JU-FX-0005	18,433
17.258	6990	SkillSource	845	4,232
17.258	6990	TAP	108017010	31,866
17.258	6990	Workforce Central	2018-WIOA	59,687
17.258	6990	Workforce Snohomish	17-201-UPS	91,184
17.258	6990	Workforce Snohomish	18-EVCC-X-376-CCW	16,204
17.259	6990	Workforce Development of Snohomish County	16EDCCX291YOUTH	23,206
17.259	6990	Workforce Snohomish	18-EVCC-x-369-Youth	31,264
17.268	6990	WA Dept of L&I	K3531	91,893
17.277	5400	WDC02	5117 Camo2Commerce K61	5,069
17.277	6990	WDC Pacific Mtn Workforce Dev	C2C-SSC-AP-P17	100,676
17.282	3650	CENTRALIA COLLEGE	WSU003779	17,210
17.282	6990	Centralia College	TC 26512-14-60-A-53	53,083
17.282	6990	DOL through Centralia College	TC-26512-14-60-A-53	33,864
19.021	3650	WORLD LEARNING INC	S11SIZ10016CA008	72,383
19.029	3600	JSI RESEARCH & TRAINING INST INC	37188-1064 MOD06	710,914
19.029	3600	JSI RESEARCH & TRAINING INST INC	37188-1088 MOD08	461,965
19.040	3800	Partners of the Americas	100K-274PE-13	12,500
19.RD	3600	CHEMONICS INTERNATIONAL INC.	SUB-599 MOD03	17,167
19.RD	3600	IMA WORLD HEALTH	DRCCGBVPRIUW72066018CA	114,957
19.RD	3600	MAKING CENTS INTERNATIONAL INC	401UW MOD05	6,477
19.U01	3650	NAT'L ACADEMIES SCI ENG & MED	2000009724	8,626
20.200	3600	NATIONAL ACADEMIES OF SCIENCES	HR1091AMOD01SUB0000932	31,103
20.200	3600	NATIONAL ACADEMIES OF SCIENCES	HR1091AMOD02SUB0000932	83,822
20.200	3600	WA ST DEPARTMENT OF TRANSPORTATION	T 1461 TO #65	2,580
20.200	3650	NAT'L ACADEMIES SCI ENG & MED	HR1305	25,194
20.205	3650	ID DEPT OF TRANSPORTATION	WSU201601	36

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20.205	3650	MINNESOTA DEPT TRANSPORTATION	1001326	-209
20.205	3700	Spokane County	NONE	4,638
20.600	2250	Okanogan County Community Coalition	K13947-PI18	1,303
20.600	3700	Colville Conferated Tribes	CONSULTING CONTRACT	21,084
20.701	3600	ARIZONA STATE UNIVERSITY	17175AM03PTE69A3551747	50,111
20.701	3600	FLORIDA INTERNATIONAL UNIVERSITY	800007349-04UG	45,859
20.701	3600	FLORIDA INTERNATIONAL UNIVERSITY	80000734904UG800094800	81,117
20.701	3600	NEW YORK UNIVERSITY	F8741-03 AM 01	82,497
20.701	3600	NEW YORK UNIVERSITY	F8741-03 AM 02	100,978
20.701	3600	UNIVERSITY OF ALASKA FAIRBANKS	UAF18005469A3551747129	293,375
20.701	3650	UNIV OF AK FAIRBANKS FED FLOW	UAF140103	70,255
20.701	3650	UNIV OF N CAROLINA-CHARLOTTE	2016068804WSU	146,298
20.701	3700	Montana State University	G227-17-W6460 AMEND 4	240,166
20.RD	3600	APPLIED PAVEMENT TECHONOLOGY INC	TOPR 7_15-001-RR07-UW	7,209
20.RD	3600	APPLIED RESEARCH ASSOCIATES INC	S-002234-UW-00 MOD06	10,040
20.RD	3600	BATTELLE MEMORIAL INSTITUTE	728595	1,043
20.RD	3600	BATTELLE MEMORIAL INSTITUTE	728595-A	4,670
20.RD	3600	BATTELLE MEMORIAL INSTITUTE	743493POUS001000074349	11,950
20.RD	3600	CAMBRIDGE SYSTEMATICS INC	008742.007 AM02	-2,228
20.RD	3600	CAMBRIDGE SYSTEMATICS INC	160140	6,589
20.RD	3600	ENO CENTER FOR TRANSPORTATION	UW668314	16,054
20.RD	3600	KING COUNTY	5909229 MOD01	11,309
20.RD	3600	RD MINGO AND ASSOCIATES	UW664604	63,182
20.RD	3600	RESOURCE SYSTEMS GROUP INC	RSGPROJECT14205MOD03	28,614
20.U02	3650	VA TECH UNIV	45138519276	155,156
43.001	3600	COLUMBIA UNIVERSITY	1GG013115PTENNX17AH04G	45,354
43.001	3600	DARTMOUTH COLLEGE	R1077 AM01	9,858
43.001	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RE906-G1 AM02	3,700

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43.001	3600	JET PROPULSION LABORATORY	1570694 MOD01	2,208
43.001	3600	JET PROPULSION LABORATORY	1572151 MOD02	3,509
43.001	3600	JET PROPULSION LABORATORY	1575878 MOD03	20,702
43.001	3600	JET PROPULSION LABORATORY	1612851	21,032
43.001	3600	JET PROPULSION LABORATORY	1614008 MOD01	21,414
43.001	3600	JET PROPULSION LABORATORY	1620701 MOD 1	2,218
43.001	3600	JET PROPULSION LABORATORY	1623976	3,278
43.001	3600	JET PROPULSION LABORATORY	RSA # 1589798 MOD01	62,961
43.001	3600	JET PROPULSION LABORATORY	RSA NO. 1578895 MOD01	69,877
43.001	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	102546 AM03	93,834
43.001	3600	NORTHWEST RESEARCH ASSOCIATES INC	NWRA-17-S-191 MOD01	41,482
43.001	3600	SETI INSTITUTE	SC 3365	154,609
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	AR8-19006X	20,792
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	G05-16085X AM02	14,834
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO7-18101A AM01	14,488
43.001	3600	SMITHSONIAN ASTROPHYSICAL OBSERVATORY	GO8-19090A	22,167
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14283.001-A	-23,623
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14560.003-A	737
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14563.002-A	6,082
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-14575.001-A	5,358
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-15020.007-A	6,845
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-AR-15042.003-A	7,392
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14610-001-A	10,307
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14675.009-A	21,450
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14779.001-A	-11,056
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14784.003-A	68,744
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14786.001-A	1,531
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14799.002-A	9,918

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43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14912.002-A	364
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-15180.005-A	4,938
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-15216.004-A	306
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-15275.009-A	16,605
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-15293.008-A	5,707
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13882001AAM02	11,819
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR13901005AAM03	8,386
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14288001AAM02	1,141
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR14325001AAM01	7,456
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR15013004AAM01	1,176
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR15016002AAM02	37,130
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTAR15046001AAM02	39,835
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13515002AAM02	4,898
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13659002AAM02	15,317
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13710002AAM02	2,461
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO13768009AAM03	11,819
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO14140006AAM01	3,609
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO14173004AAM01	5,678
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO15154001AAM03	45,091
43.001	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HSTGO15314003AAM04	17,472
43.001	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	SUBAWD000410 MOD01	82,840
43.001	3600	UNIVERSITY OF ARIZONA	366620 MOD01	16,051
43.001	3600	UNIVERSITY OF ARIZONA	408899 AM02	22,860
43.001	3600	UNIVERSITY OF CALIFORNIA IRVINE	2017-3519 AM01	52,447
43.001	3600	UNIVERSITY OF COLORADO	1552357MOD05PO10004540	63,884
43.001	3600	UNIVERSITY OF HAWAII	MA1314	63,337
43.001	3600	UNIVERSITY OF HAWAII	MA1314 AM03	13,824
43.001	3600	UNIVERSITY OF HOUSTON	R160069PTENNX16AN35GAM	144,561

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43.001	3600	UNIVERSITY OF MAINE	UMS-965 AM05	71,253
43.001	3600	UNIVERSITY OF MARYLAND BALTIMORE COUNTY	NASA0004-02 AM1	67,532
43.001	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004919118 AM02	83,957
43.001	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5111900	21,913
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101240 AM05	125
43.001	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101250 AM03	142,939
43.001	3600	YALE UNIVERSITY	GK000716CON80000156AM0	38,482
43.001	3650	AETOS SYSTEMS INC	20019G02001335TA24	-24
43.001	3650	CA INST OF TECH JET PROP LAB	1623611	9,842
43.001	3650	CONTINUUM DYNAMICS INC	19053	7,624
43.001	3650	CORNELL UNIV FED FLOW	627619776	-32
43.001	3650	SPACE TELESCOPE SCI INST	HSTG014141001A	16,868
43.001	3760	BLUE MARBLE SPACE	BMSSA-002	26,506
43.001	3800	Arizona State University	15-710	32,264
43.001	3800	Jet Propulsion Laboratory	1546127	119,781
43.001	6990	UW	NNX15AJ98HS000005	3,236
43.007	3650	UNIV OF KENTUCKY RES FOUNDATIO	320000109817193	55,458
43.RD	3600	*JET PROPULSION LABORATORY	1303809 MOD28	61,550
43.RD	3600	BOEING COMPANY	1475635 PCC02	141,836
43.RD	3600	JET PROPULSION LABORATORY	1318945 MOD25	188,741
43.RD	3600	JET PROPULSION LABORATORY	1542830 MOD07	197,462
43.RD	3600	JET PROPULSION LABORATORY	1583665	11,592
43.RD	3600	JET PROPULSION LABORATORY	1587724 MOD01	21,080
43.RD	3600	JET PROPULSION LABORATORY	1613496	9,893
43.RD	3600	JET PROPULSION LABORATORY	SC#1526158 MOD05	27,378
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1529015	-12,860
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1585843	19,535
43.RD	3600	JET PROPULSION LABORATORY (JPL)	1616200	15,625

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43.RD	3600	JOHNS HOPKINS UNIVERSITY	2003281677 AM02	5,786
43.RD	3600	M4 ENGINEERING	#A121581 AM01	76,790
43.RD	3600	M4 ENGINEERING	UW635285	9,027
43.RD	3600	MALIN SPACE SCIENCE SYSTEMS INC	12-0233 MOD07	211,912
43.RD	3600	MALIN SPACE SCIENCE SYSTEMS INC	12-0233 MOD08	244,398
43.RD	3600	MSNW LLC	AMENDMENT 1	-4,900
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC	1609UWALPH2XPH3MOD02	224,210
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC	1636-UW	1,085
43.RD	3600	SCIENTIFIC SYSTEMS COMPANY INC	SC-1652-001	46,644
43.RD	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-12055.01-A AM09	36,903
43.RD	3600	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-14072.007-A	8,162
43.RD	3600	STANFORD UNIVERSITY	PY24261-22727-D AM32	29,692
43.RD	3600	SYSTIMA TECHNOLOGIES INC	PO# 48654.1	-5,897
43.RD	3600	ZIN TECHNOLOGIES INC	SPACEDOC-2 2017-001	468,053
43.U01	3650	CA INST OF TECH JET PROP LAB	1592973	96,799
43.U03	3700	Assn of Universities for Research in Astronomy	HST-AR-13880.004-A	33,990
43.U50	3870	Americans for the Arts	052019AW	13,600
45.024	3750	ARTS MIDWEST	21824	6,490
45.024	3760	CORNELL UNIV.	C16R12454CR16R	60,646
45.129	3650	HUMANITIES WA	4873GWSF17	1,916
45.312	3600	ASSOCIATION OF CHILDREN'S MUSEUMS	MG-10-14-0006-14	13,791
45.313	3600	SYRACUSE UNIVERSITY	29375-04698-S01	-14
45.313	6990	Northern Virginia Community College	96-17-0113-17	12,951
47.041	3600	BLUHAPTICS INC	UW635063	16,557
47.041	3600	BOYDSTON CHEMICAL INNOVATIONS, INC	UW668076	57,402
47.041	3600	CARNEGIE MELLON UNIVERSITY	1122191-379633 AM02	6,983
47.041	3600	ENTOX SCIENCES INC	A138575UW SBIR-STTR	6,373
47.041	3600	ENTOX SCIENCES INC	UW663965	30,004

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47.041	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RG758G3AM021626153006	29,535
47.041	3600	HARVARD UNIVERSITY	124050-5104118 AM01	22,681
47.041	3600	HARVARD UNIVERSITY	124050-5104118 AM03	67,719
47.041	3600	MICROHAOPS INC	A126254	24,926
47.041	3600	OREGON STATE UNIVERSITY	S1738A-A AM04	50,117
47.041	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009375 AM03	180,487
47.041	3600	UNIVERSITY OF CALIFORNIA DAVIS	A16-0090-S001 AM01	71,507
47.041	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	0190 G SA465 AM01	74,392
47.041	3600	UNIVERSITY OF COLORADO	1556900	33,747
47.041	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	077966-15619 AM04	50,422
47.041	3600	UNIVERSITY OF MINNESOTA	A006827801	67,493
47.041	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	105584141	20,618
47.041	3600	UNIVERSITY OF TEXAS AUSTIN	UTA14-000587 AM03	4,198
47.041	3600	UNIVERSITY OF TEXAS AUSTIN	UTA15-000857 AM03	28,994
47.041	3600	VIRGINIA POLYTECHNIC INST AND STATE UNIV	479852-19124 MOD01	81,931
47.041	3600	VIRGINIA POLYTECHNIC INST AND STATE UNIV	479852-19124A	40,976
47.041	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-255	61,578
47.041	3600	WOMEN IN ENGINEERING PROACTIVE NETWORK	EEC-144507 AM03	2,379
47.041	3600	YALE UNIVERSITY	GR105156(CON-80001606)	40,200
47.041	3650	UNIV OF MI	3003760323	4,795
47.041	3650	UNIV OF TN FED FLOW	A120044S007	4,930
47.041	6990	N. CAROLINA A&T STATE UNIVERSITY	260118A	17,140
47.049	3600	AURA INC	N51948C AM05	3,420,030
47.049	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S392490	35,069
47.049	3600	CORNELL UNIVERSITY ITHACA	7850410756AM02DMR16293	109,885
47.049	3600	EMORY UNIVERSITY	A022076 AM01	81,570
47.049	3600	EMORY UNIVERSITY	T849870	21,031
47.049	3600	MICHIGAN STATE UNIVERSITY	RC104177UW AM04	190,486



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47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	0009390 AM01	2,905
47.049	3600	UNIVERSITY OF CALIFORNIA BERKELEY	0009390 AM02	77,751
47.049	3600	UNIVERSITY OF NOTRE DAME	PHY-1219444	1,983
47.049	3600	UNIVERSITY OF PENNSYLVANIA	573250 AM01	75,654
47.049	3600	UNIVERSITY OF WISCONSIN MILWAUKEE	183405376 AM01	156,010
47.049	3600	YALE UNIVERSITY	C14D11736(D01999)AM01	3,736
47.049	3600	YALE UNIVERSITY	GK000242CON80000026AM0	20,670
47.049	3750	Mathematical Association of America	3-8-710-890	31,877
47.049	3750	OCCIDENTAL COLLEGE	OXY-CURM0002	5,000
47.049	3800	Lowell Observatory	2018-74803	6,309
47.050	3600	ARIZONA STATE UNIVERSITY	14386AM04PRNSF1338810	208,215
47.050	3600	ARIZONA STATE UNIVERSITY	18-352	391,110
47.050	3600	BERMUDA INSTITUTE OF OCEAN SCIENCES	182708UW	50,201
47.050	3600	COLUMBIA UNIVERSITY	20C(GG009393) AM03	18,783
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09	3,345,964
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 65	106,160
47.050	3600	CONSORTIUM FOR OCEAN LEADERSHIP INC	SA 9-09 MOD 69	2,575,652
47.050	3600	CORNELL UNIVERSITY ITHACA	80572-10906	29,481
47.050	3600	INCORPORATED RSCH INST FOR SEISMOLOGY	07-UWA-SAGE AM05	12,533
47.050	3600	INCORPORATED RSCH INST FOR SEISMOLOGY	SU-19-1001-07-UWA TO01	33,616
47.050	3600	PENNSYLVANIA STATE UNIVERSITY	5857-UW-NSF-8934 AM01	26,173
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM06	640,335
47.050	3600	PRINCETON UNIVERSITY	SUB0000005 AM09	276,839
47.050	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	SUBAWD000130 MOD02	81,409
47.050	3600	UNIVERSITY CORP FOR ATMOSPHERIC RESEARCH	Z1621925MOD02PAGS15410	12,641
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	55591530 AM03	22,191
47.050	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	91566589	14,752
47.050	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1641 AM03	27,597

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47.050	3600	UNIVERSITY OF MINNESOTA	A003176715AM011246761	6,825
47.050	3600	UNIVERSITY OF RHODE ISLAND	007439/12112018	28,775
47.050	3600	UNIVERSITY OF ROCHESTER	417238URFAOGR510782AM0	61,649
47.050	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	104919401	101,474
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101293 AM01	2,263
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101400	17,845
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101400 AM01	191,010
47.050	3600	WOODS HOLE OCEANOGRAPHIC INSTITUTION	A101403	5,588,444
47.050	3650	AUSTIN COMMUNITY COLLEGE	WSU003361	8,084
47.050	3650	EVERETT COMMUNITY COLLEGE	18190166SUB	5,164
47.050	3650	NORTHWEST RESEARCH ASSOC	NWRA17S195	17,947
47.050	3650	PRINCETON UNIV	SUB0000169	25,465
47.050	3650	UNIV OF ID FED	IBK289SB001	233,195
47.050	3750	PENNSYLVANIA STATE UNIVERSITY	5862-CWU-NSF-8934	2,276
47.050	3750	UNAVCO	S10-EAR1261833-S2	56,848
47.050	3750	UNAVCO	S18-EAR1724794-S1	45,617
47.050	3800	Columbia University	53(GG009393) PO G11792	1,579
47.050	3800	Consortium for Ocean Leadership	T350A77 / BA-77	5,004
47.050	3800	Macalester College	217059WWU-YR2	26,711
47.070	3600	CARNEGIE MELLON UNIVERSITY	1122507-379498	-1,318
47.070	3600	CARNEGIE MELLON UNIVERSITY	1122670-409701	4,200
47.070	3600	COMPUTING RESEARCH ASSOCIATION	POSTDOC002 AM002	-5
47.070	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	S4742 - PO 263721	3,238
47.070	3600	PRINCETON UNIVERSITY	SUB0000281	114,300
47.070	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009749 AM01	12,579
47.070	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	91563015 AM01	8,600
47.070	3600	UNIVERSITY OF COLORADO	1549807 MOD06	-124
47.070	3600	UNIVERSITY OF COLORADO	1556133 AM01	127,487

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47.070	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	020016-16462	8,094
47.070	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	27338-Z4338001 AMC	62,076
47.070	3600	UNIVERSITY OF MARYLAND COLLEGE PARK	56086-Z4322002 AM B	78,902
47.070	3600	UNIVERSITY OF MINNESOTA	A006581303	149,098
47.070	3600	UTAH STATE UNIVERSITY	201242-480	10,083
47.070	3600	UTAH STATE UNIVERSITY	201242-480 AM02	21,945
47.070	3650	CLEMSON UNIVERSITY	19062062011806	197,264
47.070	3650	OR ST UNIV FED	Z0051A-B	36,256
47.070	3800	Worcester Polytechnic Institute	15-203230-00-00	7,649
47.074	3600	ARIZONA STATE UNIVERSITY	17-025 (1616821) AM01	50,945
47.074	3600	CARY INSTITUTE OF ECOSYSTEM STUDIES	3357/200201908	27,470
47.074	3600	DUKE UNIVERSITY	333-2379 AM01	64,721
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM03	17,700
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM05	-161
47.074	3600	MICHIGAN STATE UNIVERSITY	61-2075UW AM12	146
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM16	51,200
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM18	67,593
47.074	3600	MICHIGAN STATE UNIVERSITY	612075UW AM20	320,372
47.074	3600	OREGON STATE UNIVERSITY	S1713A-A AM03	5,405
47.074	3600	UNIVERSITY OF ALASKA SOUTHEAST	J20161-1557186	1,465
47.074	3600	UNIVERSITY OF ARIZONA	493174	4,028
47.074	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009877 AM01	4,937
47.074	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004946906	1,307
47.074	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00050974-2 AM03	147,288
47.074	3600	UNIVERSITY OF TOLEDO	F-2017-140 AM02	-275
47.074	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-441	11,729
47.074	3650	LOYOLA MARYMOUNT UNIVERSITY ILL	17014S1	140,829
47.074	3650	NATL CTR FOR GENOME RESOURCES	20171	253,698

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47.074	3650	NOBLE RESEARCH INSTITUTE	2017978001	32,184
47.074	3650	UNIV OF ID FED	AL3316SB875818	1,913
47.074	3650	UNIV OF TN FED FLOW	9500073626	3,438
47.074	3650	UNIVERSITY OF MISSOURI	C000573932	10,260
47.074	3650	UNIVERSITY OF MISSOURI	C000622112	25,533
47.074	3750	UNIVERSITY OF GEORGIA	RR167-627/S000812	71,692
47.074	3800	University Of Alaska	UAF 18-0059/P0521291	154,910
47.075	3600	CARNEGIE MELLON UNIVERSITY	1122280-355037 AM03	16,832
47.075	3600	SYRACUSE UNIVERSITY	28896-04459 SO1 AM02	18,532
47.075	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00011150	1,939
47.075	3650	SANTA FE INSTITUTE	SFI20160914	30,630
47.076	3600	AMERICAN INSTITUTES FOR RESEARCH	0435600001	195,806
47.076	3600	AMERICAN SOCIETY FOR ENGINEERING EDUC	1760002-760-UW	13,597
47.076	3600	ASSOCIATION OF SCIENCE-TECHNOLOGY CENTER	DRL-1612739 MOD01	11,058
47.076	3600	ASSOCIATION OF SCIENCE-TECHNOLOGY CENTER	DRL-1612739 MOD04	163,080
47.076	3600	CARLETON COLLEGE	UW668101	24,302
47.076	3600	CARLETON COLLEGE, SERC (SCIENCE EDUCATION RESEARCH CENTER)	UW BUD# 668101	5,237
47.076	3600	COUNCIL OF GRADUATE SCHOOLS	UW661728	17,347
47.076	3600	GREEN RIVER COLLEGE	F422805	42,181
47.076	3600	IOWA CHILDREN'S MUSEUM	UW630875	84,035
47.076	3600	MATHEMATICAL ASSOCIATION OF AMERICA	3-8-710-890	19,777
47.076	3600	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC13-081 AM07	1,937
47.076	3600	OREGON STATE UNIVERSITY	S1666A-A AM05	67,878
47.076	3600	SEATTLE PACIFIC UNIVERSITY	243050-1819	9,997
47.076	3600	SEATTLE UNIVERSITY	21-0-1-488070-01 AM01	37,027
47.076	3600	STANFORD UNIVERSITY	61462251-126900 AM02	96,328
47.076	3600	UNIVERSITY OF CALIFORNIA SANTA BARBARA	KK1938	134,223

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47.076	3600	UNIVERSITY OF COLORADO	1554145 MOD03	263,715
47.076	3600	UNIVERSITY OF COLORADO	1554735 AM01	63,818
47.076	3600	UNIVERSITY OF OREGON	2008Z0B	11,400
47.076	3600	UNIVERSITY OF SAN DIEGO	PRIME 1740089	2,500
47.076	3650	AMERICAN ASSOC COMMUNITY COLL	13890001	83,193
47.076	3650	AUSTIN COMMUNITY COLLEGE	WSU003308	67,370
47.076	3650	BELLEVUE COMMUN COLLEGE	WSU003046	7,631
47.076	3650	FINGER LAKES COMM COL	CCURIYEARI20162017	34,149
47.076	3650	JEFFERSON COMM TECH COLL	DUE1700496WSU	14,921
47.076	3650	KENTUCKY COMMUNITY TECH COLL	KCTPS715	21,992
47.076	3650	S SEATTLE COMM COLLEGE	502391	17,889
47.076	3650	SAN DIEGO STATE UNIV FOUNDATIO	SA0000521	21,078
47.076	3700	American Institute of Mathematics	NSF-IUSE-AWARD#1821509	1,500
47.076	3750	CARLETON COLLEGE	DUE-1125331	27,858
47.076	3800	Salish Kootenai College	1102362	10,138
47.076	3800	Salish Kootenai College	1826637 / WWU-18-2	5,400
47.076	6990	CWU	1356479-1	36,915
47.076	6990	DOL Techhire through Everett CC	16170195SA	12,109
47.076	6990	EWUNSF	1660606	6,469
47.076	6990	LASER	LASER-TEC SCC 0001	1,408
47.076	6990	Purdue University	1700674	45,746
47.076	6990	Sinclair	DUE1304405	6,944
47.076	6990	Tennessee Tech	1601587	18,578
47.076	6990	UW LSAMP	763689	12,503
47.076	6990	Wisconsin	1T3A	76,939
47.079	3600	UNIVERSITY OF CHICAGO	FP065300-C AM01	140,488
47.079	3600	US CIVILIAN RESEARCH & DEVELOPEMENT FNDN	OISE-9531011	3,410
47.079	3650	US CIVILIAN RSCH & DEV FNDN	OISE16627650A	14,616

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47.083	3800	University Of Southern California	PO 10561844 #88624292	38,336
47.RD	3600	PROTEIOS LLC	AM01	70,874
47.RD	3600	VESICUS LLC	UW668028	60,906
47.U01	3650	CARNEGIE MELLON UNIV FED FLOW	1123272-390398	30,181
66.034	3760	OLYMPIC REG. CLEAN AIR	01J41301	7,121
66.203	3700	Rural Community Assistance Corp	EPA EFC/E165,TASK#1,#2	7,856
66.469	3600	UNIVERSITY OF TOLEDO	F-2017-133 AM02	225,408
66.509	3600	*CARNEGIE MELLON UNIVERSITY	1080358-364871 AM03	34,297
66.509	3600	*CARNEGIE MELLON UNIVERSITY	1080358-364872 AM01	691
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364874 AM03	134,194
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364876 AM03	233,098
66.509	3600	CARNEGIE MELLON UNIVERSITY	1080358-364925 AM03	69,726
66.509	3650	HARVARD UNIV	1125215081534	3,271
66.509	3650	ZILA WORKS LLC	132958001	-18
66.509	3800	Harvard University	112521-5081532	27,535
66.716	3650	EXTENSION FNDN	SA201723	304
66.716	3650	EXTENSION FNDN	SA201916	19,853
66.RD	3600	NORTH AMERICAN DEVELOPMENT BANK	TAA18-003 MOD01	66,543
81.049	3600	COLUMBIA UNIVERSITY	1(GG014496)	432,686
81.049	3600	EAGLE HARBOR TECHNOLOGIES INC	UW664900	7,533
81.049	3600	KRELL INSTITUTE	UW802121	17,270
81.049	3600	MONTANA STATE UNIVERSITY	G140-15-W5072 AM03	21,852
81.049	3600	UNIVERSITY OF COLORADO	1553756 MOD02	168,587
81.049	3600	UNIVERSITY OF FLORIDA	UFDSP00012374	4,763
81.049	3600	UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN	001035-7980 AM05	32,781
81.049	3600	UNIVERSITY OF MISSOURI COLUMBIA	C00055418-1 AM01	68,286
81.049	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5108338 MOD01	32,540
81.049	3600	UNIVERSITY OF OKLAHOMA	2018-32 AM01	140,984

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81.049	3600	UNIVERSITY OF TENNESSEE	A18-0354-S002-A01	57,559
81.049	3650	ARTESION INC	AIWSUDESC0018898	88,648
81.049	3650	DONALD DANFORTH PLANT SCI CTR	23009WS	2,435
81.049	3650	DONALD DANFORTH PLANT SCI CTR	23021W	284,401
81.049	3650	MT ST UNIV - BOZEMAN	G11517W6230	96,823
81.049	3650	MT ST UNIV - BOZEMAN	G12318W5072	139,486
81.049	3650	UNIV CA - MERCED	E252GTA349	13,667
81.049	3650	UNIV OF ID FED	BJKQ05SB001	157,209
81.049	3650	UNIV OF MN FED FLOW	A003127004	752
81.049	3650	UNIV OF NE FED	2512150123011	181,570
81.049	3650	UNIV OF NM	740058874P	100,700
81.086	3600	CITY OF SEATTLE	OSE-16-54 AM01	76,497
81.086	3700	Kalispel Indian Community of the Kalispel Reservation WA	BPA CONTRAC#74488 REL8	126,935
81.086	3700	Kalispel Indian Community of the Kalispel Reservation WA	BPA CONTRACT#75844	416
81.086	3700	Kalispel Indian Community of the Kalispel Reservation WA	BPACONTRAC#74488 REL20	27,345
81.087	3600	CORRIM	1010	321
81.087	3600	IOWA STATE UNIVERSITY	401-20-25B	11,591
81.087	3600	IOWA STATE UNIVERSITY	401-20-25B AM01	11,591
81.087	3600	OREGON STATE UNIVERSITY	G0152A-B AM05	276,263
81.087	3600	OREGON STATE UNIVERSITY	G0152A-B AM06	6,908
81.087	3600	UNIVERSITY OF HAWAII	MA1158 AM04	49,335
81.087	3650	AZ ST UNIV FED FLOW	16777	-964
81.087	3650	CO SCHOOL OF MINES GOLDEN	4010115801	61,057
81.087	3650	TEXAS A&M AGRILIFE RESEARCH	06S170616	74,275
81.087	3650	TEXAS A&M AGRILIFE RESEARCH	M1900171	10,787
81.087	3650	UNIV OF MD	67687Z7036201	63,347

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81.087	3800	Electric Power Research Institute	PO 4700003546	5,000
81.089	3600	LG FUEL CELL SYSTEM INC	LGFCUS DE-FE0023337	-1,101
81.089	3600	UNIVERSITY OF TEXAS AUSTIN	UTA17-000308 AM03	44,660
81.089	3650	GHD	132086001	12,804
81.106	2250	Western Governors Association	K14064-TW19	103,338
81.112	3600	ROBERT WOOD JOHNSON FOUNDATION	UW638062	28,484
81.112	3600	TEXAS A&M UNIVERSITY	M1803341 AM01	60,839
81.112	3600	TEXAS A&M UNIVERSITY	M1803341 AM02	24,907
81.112	3650	UNIVERSITY OF NOTRE DAME	203186WSU	306,841
81.121	3650	RUTGERS ST UNIV OF NJ FED FLOW	0018	58,783
81.121	3650	UNIV OF TULSA	142120464294802	53,205
81.122	3650	GRID PROTECTION ALLICANCE	WSU003625	250,743
81.122	3650	IA ST UNIV FED FLOW	4012016A	265,677
81.122	3650	UNIV OF IL FED FLOW	20150660502	248,708
81.122	3650	UNIVERSITY OF CA - RIVERSIDE	S000872	114,699
81.124	3600	UNIVERSITY OF NOTRE DAME	202199UW AM07	295,937
81.135	3600	UNIVERSITY OF COLORADO	1556660	209,354
81.135	3600	UNIVERSITY OF FLORIDA	UFDSP00012001 AM01	89,574
81.135	3650	IA ST UNIV FED FLOW	4012006C	-1,677
81.135	3650	VANDERBILT UNIV-FED FLOW	UNIV58355	197,020
81.RD	3600	AMERICAN PHYSICAL SOCIETY	CWC-038	9,287
81.RD	3600	ARGONNE NATIONAL LABORATORY	7F-30111 MOD02	116,059
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30037 M0D04	58,732
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30064 M0001	39,150
81.RD	3600	ARGONNE NATIONAL LABORATORY	8F-30090	4,245
81.RD	3600	ARGONNE NATIONAL LABORATORY	9F-60043	50,982
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO 330280 MOD03	23,595
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO# 380775	35,245



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81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO# 400723	22,647
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO257527 MOD01	52,508
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766 TO290383 MOD06	2,461
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	243766TO245600MOD05	-152
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#356518	21,905
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#417178	34,898
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#417778	19,500
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA#243766 TO#468365	4,416
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO292896MOD04	31,647
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO354654MOD03	1,013
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO358850MOD01	11,110
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO402123MOD04	90,762
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO403450MOD02	17,000
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO406984REV1	27,594
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO415934MOD01	74,853
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO424177MOD02	101,916
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO430753MOD01	18,746
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MA243766TO432652MOD03	74,673
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	MASTER243766TASK394738	16,165
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	T.O. 269812 MOD03	29,319
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TASKORDER335418MOD02	81,053
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO321938 MOD04	116,000
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO386893MASTER243766	333,108
81.RD	3600	BATTELLE MEMORIAL INSTITUTE	TO386893MOD02MASTER243	193,465
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	252206 AM012	-13,652
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	252206 AM013	117,718
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	339224 AM02	39,537
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	344693 AM02	15,338

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81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	344773 AM02	21,830
81.RD	3600	BROOKHAVEN SCIENCE ASSOCIATES LLC	364211	9,271
81.RD	3600	DIRAC SOLUTIONS INC	DSI-UW-2018-1	93,205
81.RD	3600	FERMI NATIONAL ACCELLERATOR LABORATOORY	PO#652197	2,205
81.RD	3600	KRELL INSTITUTE	UW800401	-33,440
81.RD	3600	KRELL INSTITUTE	UW807142	46,713
81.RD	3600	KRELL INSTITUTE	UW807143	37,184
81.RD	3600	KRELL INSTITUTE	UW807144	38,895
81.RD	3600	LAWRENCE BERKELEY NATIONAL LABORATORY	7374375 MOD07	579,401
81.RD	3600	LAWRENCE LIVERMORE NATIONAL LABORATORY	B621663 MOD04	71,717
81.RD	3600	LOS ALAMOS NATIONAL LABORATORY	320719 MOD02	-2,015
81.RD	3600	LOS ALAMOS NATIONAL LABORATORY	436061 MOD03	56,420
81.RD	3600	LOS ALAMOS NATIONAL LABORATORY	472094BAN285272MOD01	18,391
81.RD	3600	LOS ALAMOS NATIONAL LABORATORY	507420	45,410
81.RD	3600	LOS ALAMOS NATIONAL LABORATORY	520128	62,174
81.RD	3600	LOWER COLUMBIA ESTUARY PARTNERSHIP	01-2019	83,423
81.RD	3600	LOWER COLUMBIA ESTUARY PARTNERSHIP	06-2018	24,059
81.RD	3600	METROPIA INC	716001-003 MOD01	3,674
81.RD	3600	OAK RIDGE ASSOCIATED UNIVERSITIES	UW802603	2,435
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	243766TO352057MOD03	2,020
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA 243766 TO 462266	7,885
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#339065	729
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#445357	22,525
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#445360	22,800
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#456355	38,465
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#456356	25,040
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA#243766 TO#463722	4,957
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766 TO450523	78,813

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81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO303349MOD05	30,000
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO345552MOD05	9,981
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO348483MOD04	51,276
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO432000MOD01	38,813
81.RD	3600	PACIFIC NORTHWEST NATIONAL LABORATORY	MA243766TO434804MOD01	28,872
81.RD	3600	PC TRASK AND ASSOCIATES INC	CR289642 AM12	423
81.RD	3600	PC TRASK AND ASSOCIATES INC	FA123814	3,374
81.RD	3600	PRINCETON PLASMA PHYSICS LABORATORY	S015900-P AM01	23,484
81.RD	3600	SANDIA NATIONAL LABORATORIES	1679421 REV02	85,979
81.RD	3600	SANDIA NATIONAL LABORATORIES	1855616 AM01	-1,422
81.RD	3600	SANDIA NATIONAL LABORATORIES	PO #1935791	47,897
81.RD	3600	SLAC NATIONAL ACCELERATOR LABORATORY	168751	46,918
81.RD	3600	THE REAL ESTATE RESEARCH INSTITUTE	UW631682	49,913
81.RD	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	94237401 AM02	3,756
81.RD	3600	UT-BATTELLE LLC	4000146123 MOD 09	37,011
81.RD	3600	UT-BATTELLE LLC	4000146123 MOD09	213,332
81.RD	3600	UT-BATTELLE LLC	4000158760 MOD01	124,150
81.RD	3600	UT-BATTELLE LLC	4000160100 MOD01	30,000
81.U01	4610	1.National Fish and Wildlife	0201.18.058065	38,289
81.U02	4610	1.National Fish and Wildlife	0201.19.061654	45,214
81.U03	3700	Spokane Tribes of Indians	BPA PROJ#1994-043-00	758
81.U04	3700	Upper Columbia United Tribes	BPA#200800700	34,860
81.U05	3700	Lawrence Livermore National Security LLC	DEAC5207NA27344 B62302	2,301
81.U23	3650	BATTELLE LABS	118074	182,856
81.U24	3650	NAT'L TECH & ENGINEERING SOLNS	1316643	39,490
81.U26	3650	BATTELLE ENERGY ALLIANCE FED F	196561	141,512
81.U27	3650	COLVILLE CONFEDERATED TRIBES	201931	23,447
81.U28	3650	BATTELLE LABS	279434	24,001

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81.U29	3650	BATTELLE LABS	280452	19,126
81.U30	3650	BATTELLE LABS	288470	84,823
81.U31	3650	BATTELLE LABS	293252	153,083
81.U32	3650	BATTELLE LABS	301164	33,226
81.U33	3650	BATTELLE LABS	316309	152,585
81.U34	3650	BATTELLE LABS	320972	339,276
81.U35	3650	BATTELLE LABS	321180	540,434
81.U36	3650	BATTELLE LABS	324880	41,540
81.U37	3650	BATTELLE LABS	339057	928
81.U39	3650	BATTELLE LABS	370358	46,995
81.U40	3650	BATTELLE LABS	381667	47,433
81.U40	3650	BATTELLE LABS	404827	45,257
81.U41	3650	BATTELLE LABS	386586	36,090
81.U41	3650	BATTELLE LABS	407930	179,715
81.U42	3650	BATTELLE LABS	388260	13,636
81.U42	3650	BATTELLE LABS	408704	15,306
81.U43	3650	BATTELLE LABS	391108	6,396
81.U43	3650	BATTELLE LABS	413678	47,599
81.U44	3650	BATTELLE LABS	392542	22,145
81.U44	3650	BATTELLE LABS	413741	2,479
81.U45	3650	BATTELLE LABS	395677	9,579
81.U45	3650	BATTELLE LABS	414836	36,452
81.U46	3650	BATTELLE LABS	398382	21,800
81.U46	3650	BATTELLE LABS	417435	29,823
81.U47	3650	BATTELLE LABS	398507	31,480
81.U47	3650	BATTELLE LABS	426011	38,588
81.U48	3650	BATTELLE LABS	432041	276,815
81.U48	3650	UT-BATTELLE LLC FED FLOW	4000149261	19,926

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81.U49	3650	BATTELLE LABS	432188	18,459
81.U49	3650	UT-BATTELLE LLC FED FLOW	4000159936	45,142
81.U50	3650	BATTELLE LABS	404320	149,398
81.U50	3650	BATTELLE LABS	432570	35,780
81.U51	3650	BATTELLE LABS	438660	52,706
81.U52	3650	BATTELLE LABS	439216	5,118
81.U53	3650	BATTELLE LABS	439940	19,802
81.U54	3650	BATTELLE LABS	440033	796
81.U55	3650	BATTELLE LABS	444041	24,818
81.U56	3650	BATTELLE LABS	444059	68,318
81.U57	3650	BATTELLE LABS	449807	10,863
81.U58	3650	BATTELLE LABS	454204	11,823
81.U59	3650	MISSION SUPPORT ALLIANCE LLC	51419	5,988
81.U60	3650	MISSION SUPPORT ALLIANCE LLC	56682	252,974
81.U61	3650	WA RIVER PROTECTION SOLUTIONS	62937	4,665
81.U63	3650	WA RIVER PROTECTION SOLUTIONS	64878	12,451
81.U64	3650	WA RIVER PROTECTION SOLUTIONS	64928	157,590
81.U65	3650	WA RIVER PROTECTION SOLUTIONS	69262	5,009
81.U66	3650	WA RIVER PROTECTION SOLUTIONS	69321	3,716
81.U67	3650	UNIV OF CHICAGO	6F32142	196,054
81.U71	3650	ALLIANCE SUSTAINABLE ENERGY	AEV65205401	5,371
81.U72	3650	ALLIANCE SUSTAINABLE ENERGY	AGJ66217901	249
81.U73	3650	LAWRENCE LIVERMORE NATL SCTY L	B626049	58,752
81.U75	3650	COLVILLE CONFEDERATED TRIBES	C18290	6,089
81.U78	3650	KEYLOGIC SYSTEMS INC	PO5000221001	3,600
81.U80	3650	ALLIANCE SUSTAINABLE ENERGY	XFC87033101	40,137
81.U81	3650	ALLIANCE SUSTAINABLE ENERGY	XGB22220401	870
81.U82	3650	ALLIANCE SUSTAINABLE ENERGY	XGJ66218401	109,026

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84.027	3750	NORTH CENTRAL ESD	1211700007	4,074
84.027	3750	NORTH CENTRAL ESD	1211800007	105,258
84.027	3760	OSPI	0327413	170,217
84.031	3600	HERITAGE UNIVERSITY	A135368	24,443
84.031	3600	HERITAGE UNIVERSITY	A139002 AM02	62,873
84.031	6990	Heritage University	P031S130053	78,134
84.101	6990	Tulalip Tribes	18190309ESA	123,060
84.126	6990	DSHS DVR	1761-10163	168,072
84.173	3750	NORTH CENTRAL ESD	1211700008	30,747
84.173	3750	NORTH CENTRAL ESD	1211800008	14,639
84.173	3760	OSPI	0387413	29,148
84.206	3600	SAINT JOHN'S UNIVERSITY	35788-01	10,000
84.264	3600	SAN DIEGO STATE UNIVERSITY RSCH FNDN	SA0000624 AM01	91,759
84.264	3600	UNIVERSITY OF MASSACHUSETTS BOSTON	B000271345 AM06	209,489
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	0110503230MOD04PO13RRG	14,743
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	03664 MOD04	78,483
84.305	3600	AMERICAN INSTITUTES FOR RESEARCH	0440100001 MOD01	160,265
84.305	3600	GEORGETOWN UNIVERSITY	AWD7772723GR205512AM01	97,692
84.305	3600	UNIVERSITY OF MINNESOTA	A005236402 AM02	75,764
84.305	3600	UNIVERSITY OF MINNESOTA	A005945201 AM01	121,863
84.305	3600	UNIVERSITY OF VERMONT	29338SUB51803 AM03	66,273
84.305	3600	UNIVERSITY OF VIRGINIA	GM10155PO2108312AM03	35,050
84.305	3600	VANDERBILT UNIVERSITY	UNIV58665AM03PRIOR3423	12,297
84.305	3650	PURDUE UNIV	411162670	-19,891
84.315	3800	Northwest Indian College	NWIC-21060-SA-M01	149,349
84.324	3600	AMERICAN INSTITUTES FOR RESEARCH	0391600101 MOD02	4,327
84.324	3600	AMERICAN INSTITUTES FOR RESEARCH	0438500001	130,298
84.324	3600	DUQUESNE UNIVERSITY	250911 MOD02#G1500085	5,165

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84.324	3600	DUQUESNE UNIVERSITY	250911 MOD03	186,672
84.324	3600	VANDERBILT UNIVERSITY	UNIV59791 AM01	88,069
84.366	3600	PUGET SOUND EDUCATIONAL SERVICE DISTRICT	10268 AM01	16,938
84.366	3600	SEATTLE PUBLIC SCHOOLS	PO #7500075765	34,352
84.366	3650	EDUC SVC DIST #112	7008000149	1,649
84.367	3650	EDUC SVC DIST #112	7008000150	5,703
84.367	3650	EDUC SVC DIST #112	7008000151	1,494
84.367	3650	EDUC SVC DIST #112	WSU003842	2,870
84.367	3750	UNIVERSITY OF CALIFORNIA	92-WA02-SEED2017CRWPPD	1,887
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2017I3AI	265
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2018I3WP	45,131
84.411	3750	UNIVERSITY OF CALIFORNIA	92-WA02-2019I3WP	433
84.412	6990	Dept of Early Learning	Quality Award	505
84.RD	3600	AMERICAN INSTITUTES FOR RESEARCH	0347100004	29,074
84.RD	3600	SRI INTERNATIONAL INC	PO31603	31,481
93.067	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10524SC AM02	55,448
93.067	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8818SC AM05	194,910
93.067	3600	AFRICAN SOCIETY FOR LABORATORY MEDICINE	CON/CONS/2017/050	60,855
93.067	3600	ARIEL GLASER PEDIATRIC AIDS HEALTHCARE	A128204 AM01	12,599
93.067	3600	CHRISTIAN HEALTH ASSOCIATION OF KENYA	NU2GGH002034- YEAR: 2	215,787
93.067	3600	COPTIC HOSPITAL	002-05 AM 005	6,669
93.067	3600	COPTIC HOSPITAL	002-05 AM 006	45,552
93.067	3600	COPTIC HOSPITAL	FPPMTCT5NU2GGH00195602	8,457
93.067	3600	COPTIC HOSPITAL	OPTION B+ 001	36,548
93.067	3600	COPTIC HOSPITAL	OPTIONBPRIME5NU2GGH001	200,543
93.067	3600	COPTIC HOSPITAL	PRIME 5NU2GGH001956-02	45,132
93.067	3600	JHPIEGO CORPORATION	16-SBA-017 MOD03	131,555
93.067	3600	NEW YORK UNIVERSITY	217708-ITECH-003	2,509

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93.067	3600	PALLADIUM INTERNATIONAL LLC	217708-ITECH-002	252,041
93.067	3600	PALLADIUM INTERNATIONAL LLC	217708-ITECH-003 AM01	80,249
93.067	3600	TANZANIA HEALTH PROMOTION SUPPORT	CDC-RFA-GH13-1322	479,296
93.067	3600	UNIVERSITY OF MARYLAND BALTIMORE	1802524POSR00005142AM0	209,919
93.068	3600	NATIONAL OPINION RESEARCH CENTER	5996.UWA.01 AM03	133,252
93.082	3600	KING COUNTY	1171 CDIP AM02	41,225
93.082	3600	KING COUNTY	1171 CDIP AM03	68,328
93.084	3600	EMORY UNIVERSITY	A061640 AM06	148,698
93.084	3600	EMORY UNIVERSITY	T853454 MOD05	46,154
93.103	3030	ASSOCIATION OF FOOD AND DRUG OFFICIALS	0546266099	640
93.103	3030	ASSOCIATION OF FOOD AND DRUG OFFICIALS	0546509529	19,133
93.103	3600	*YALE UNIVERSITY	GR103958CON80001361	7,745
93.103	3600	RIGHTANSWER.COM	UW BUD# 635476	56,778
93.103	3600	TRUMEDICINES	A127475	10,119
93.103	3600	TRUMEDICINES	A127475 AM01	60,266
93.103	3600	UNIVERSITY OF ROCHESTER	417130GURFAOGR510683AM	12,079
93.103	3600	UNIVERSITY OF ROCHESTER	417349GURFAOGR510804AM	62,020
93.103	3600	YALE UNIVERSITY	GR104872CON80001524	15,766
93.110	3030	ASSOCIATION OF FOOD AND DRUG OFFICIALS	0546509518	875
93.110	3030	ASSOCIATION OF PUBLIC HEALTH LABORATORIES	0546173001	4,497
93.110	3600	CHILDREN'S HOSPITAL & RSCH CTR OAKLAND	807958.UW.18.1 AM01	2,424
93.110	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA028 AM04	-25
93.110	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G WA101	21,060
93.110	3600	UNIVERSITY OF VIRGINIA	GB10656.PO #2121838	7,618
93.113	3600	*UNIVERSITY OF IOWA	1001472440 AM03	15,969
93.113	3600	BOSTON UNIVERSITY	4500002762	86,501
93.113	3600	BROWN UNIVERSITY	00000910 AM03	11,249
93.113	3600	COLUMBIA UNIVERSITY	1(GG013047)	6,699



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93.113	3600	ILLIONIX LLC	UW634383	80,447
93.113	3600	ILLIONIX LLC	UW662065	79,776
93.113	3600	JOHNS HOPKINS UNIVERSITY	2002301818 AM06	58,019
93.113	3600	JOHNS HOPKINS UNIVERSITY	2003249885 AM02	54,200
93.113	3600	PUBLIC HEALTH INSTITUTE	1019929 AM04	8,676
93.113	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00008559AM05POBB004803	27,982
93.113	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00010622	32,413
93.113	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	110056808 AM01	48,935
93.113	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	80001140 AM02	169,582
93.113	3600	UNIVERSITY OF TORONTO	SUBGRANT2	87,461
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-16-168-MOD-3	23,081
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-174 MOD-1	291,418
93.113	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-91	184,729
93.113	3600	YALE UNIVERSITY	GR104703CON80001507	44,763
93.121	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029162 AM02	12,668
93.121	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917826	8,612
93.121	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000965679	48,440
93.121	3600	JET PROPULSION LABORATORY	UW BUD# 666626	35,310
93.121	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS100254-UW	69,176
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11411SUB MOD03	101,866
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11527SUB MOD02	13,756
93.121	3600	SEATTLE CHILDREN'S HOSPITAL	11956SUB	9,003
93.121	3600	TECHNOLOGY ASSESSMENT & TRANSFER	UW633543	39,967
93.121	3600	THE FORSYTH INSTITUTE	UWASH023810-2630 AM02	181,162
93.121	3600	THE FORSYTH INSTITUTE	UWASH023810-2665	5,855
93.121	3600	THE FORSYTH INSTITUTE	UWASH026186-2635 AM02	141,534
93.121	3600	THE FORSYTH INSTITUTE	WASH020102-2640 AM01	127,648
93.121	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000412838-109	107,075

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93.121	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1350 G VD585 AM01	9,548
93.121	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9648SC AM01	9,653
93.121	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9648SC AM02	93,923
93.121	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00010464	6,998
93.135	3600	UNIVERSITY OF IOWA	S00635-01	13,335
93.136	3600	VIRGINIA COMMONWEALTH UNIVERSITY	FP00001573_SA001 AM02	4,570
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G HB431 AM05	17,609
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258 AM04	13,871
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2105 G TA258 AM05	353,089
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW675589	10,000
93.142	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	UW675590	9,273
93.145	3600	HEALTH RESEARCH INC	5849-01	12,951
93.145	3600	HEALTH RESEARCH INC	5849-02	31,784
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0218 MOD01	21,060
93.145	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0543	199,041
93.153	3600	HARBORVIEW MEDICAL CENTER	PRIME: H12HA28849	6,932
93.153	3600	UNIVERSITY OF WASHINGTON	UW633063	64,773
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-04	40,654
93.161	3600	AMERICAN COLLEGE OF MEDICAL TOXICOLOGY	U61TS000238-R10-05	179,022
93.172	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S380938	60,382
93.172	3600	COLUMBIA UNIVERSITY	1(GG014890-01)	16,518
93.172	3600	ELECTRONIC BIOSCIENCES INC	147NH1C46551R43HG01029	66,237
93.172	3600	ELECTRONIC BIOSCIENCES INC	160NH1C-4652	25,725
93.172	3600	JACKSON LABORATORY	210208-0817 AM07	72,536
93.172	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017143412 AM01	-24
93.172	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002727BUDG04UW00AM0	722,453
93.172	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG209827-BUDG01-UW-00	34,321
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS030229-UW	5,541

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93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS030229-UW AM03	679,251
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS030229-UW AM05	34,720
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS030229-UW-84046	52,557
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	OOS030229-UW-84068	39,485
93.172	3600	KAISER FOUNDATION RESEARCH INSTITUTE	UW639300	15,501
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-3 AM05	105,869
93.172	3600	NEW YORK GENOME CENTER	UM1-UWASH-4 AM 6	97,278
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD521791A AM03	81,758
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD521791A5U01HG0093950	182,528
93.172	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	BD521791B AM04	81,609
93.172	3600	SOUTHCENTRAL FOUNDATION	2018-022 AM01	64,005
93.172	3600	SOUTHCENTRAL FOUNDATION	2019-073 AM01	129,942
93.172	3600	STANFORD UNIVERSITY	61951263-134738 AM01	9,773
93.172	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9936SC AM03	504,751
93.172	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9936SC AM04	417,378
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2017191 AM 4	36,799
93.172	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2017191POWA00665464	41,379
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005, AM3	392,485
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC57005, AM4	28,646
93.172	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC63906 AM01	240,592
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-296 MOD01	79,075
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-115 MOD-1	41,681
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-89-MOD-1	668,566
93.172	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU19115MOD1PO2934479G	394,030
93.173	3600	FLORIDA STATE UNIVERSITY	R02101	9,165
93.173	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000946010	80,384
93.173	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000986725	51,703
93.173	3600	NORTHWESTERN UNIVERSITY	SP0034193PROJ0009132AM	46,727

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93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005685_UWA AM03	7,089
93.173	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005685_UWA AM04	522
93.173	3600	TEL AVIV UNIVERSITY	0601146321	324,678
93.173	3600	TEL AVIV UNIVERSITY	0601146322 AM01	9,948
93.173	3600	TEMPLE UNIVERSITY	260885-UW	101,869
93.173	3600	TEMPLE UNIVERSITY	260885-UW AM 1	78,541
93.173	3600	UNIVERSITY OF COLORADO DENVER	FY19966001PO1001128171	5,870
93.173	3600	VANDERBILT UNIVERSITY	UNIV58647 AM04	387,737
93.173	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-45-MOD-3 AM03	173,534
93.197	3600	KING COUNTY	3181 EHS AM01	22,968
93.197	3600	OREGON HEALTH AUTHORITY	158689	15,032
93.211	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5112962	68,347
93.213	3600	DUKE UNIVERSITY	A030393	66,072
93.213	3600	DUKE UNIVERSITY	A039025	23,006
93.213	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002837BUDG04UW01AM0	20,849
93.213	3600	SEATTLE CHILDREN'S HOSPITAL	12051SUB	10,443
93.213	3600	UNIVERSITY OF MINNESOTA	P005878802	6,156
93.224	3600	KING COUNTY	2987 CHS	50,155
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002678BUDG04UW01MOD	64,322
93.226	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG0026825-BUDG04-02	39,877
93.226	3600	KAISER FOUNDATION RESEARCH INSTITUTE	RNG209815-BUDG01-UW-00	67,413
93.226	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005779_UWA AM02	7,166
93.226	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00600402OSP2017049AM	1,696
93.226	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5106820 AM03	104,520
93.233	3650	LOS ANGELES BIOMEDICAL RES INS	15002499	17,557
93.233	3650	LOS ANGELES BIOMEDICAL RES INS	19007335	5,596
93.233	3650	UNIV OF PA FED FLOW	565843	23,289
93.236	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	17-07-5-01-069-0 AM02	12,558

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93.236	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	19-07-5-01-069-0	78,238
93.239	3600	UNIVERSITY OF WISCONSIN MADISON	708K094 AM01	54,427
93.239	3600	UNIVERSITY OF WISCONSIN MADISON	708K094 AM02	38,680
93.239	3600	UNIVERSITY OF WISCONSIN MADISON	878K290	2,284
93.242	3600	*UNIVERSITY OF CALIFORNIA SAN DIEGO	67277131 AM003	82,557
93.242	3600	DARTMOUTH COLLEGE	GC10037-00-02	39,428
93.242	3600	DARTMOUTH COLLEGE	R752 AM03	29,247
93.242	3600	DARTMOUTH COLLEGE	R939 AM01	4,761
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-02 MOD 03	7,112
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-03 MOD04	11,039
93.242	3600	DESMOND TUTU HIV FOUNDATION	NIH-3P-UW-04 MOD05	113,648
93.242	3600	DUKE UNIVERSITY	203-6521	-4,945
93.242	3600	DUKE UNIVERSITY	203-7475 AM01	269,770
93.242	3600	DUKE UNIVERSITY	A03-0524	62,028
93.242	3600	EMORY UNIVERSITY	A088684 AM06	28,695
93.242	3600	EMORY UNIVERSITY	T740482 AM02	15,991
93.242	3600	FOUNDATION FOR PROFESSIONAL DEVELOPMENT	PRIME: 1R01MH114648-02	24,060
93.242	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000948769	38,449
93.242	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	UW BUD# 664164	18,548
93.242	3600	GEORGE WASHINGTON UNIVERSITY	17-M96	13,052
93.242	3600	HUGO W MOSER RESEARCH INSTITUTE	113065-0617-02B MOD2	292
93.242	3600	JOHNS HOPKINS UNIVERSITY	2004200844	37,158
93.242	3600	MASSACHUSETTS GENERAL HOSPITAL	227381AM041R01MH109309	70,927
93.242	3600	SEATTLE CHILDREN'S HOSPITAL	10955SUB MOD04	132,379
93.242	3600	SEATTLE CHILDREN'S HOSPITAL	11957SUB	11,662
93.242	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HM41SC-DS11SIBCR	457
93.242	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HM41SC-SS21SIBCR MOD01	29,387

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93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662103	6,484
93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662422	903
93.242	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW662424	11,755
93.242	3600	SWEDISH HEALTH SERVICES	223004 B.01 AM03	45,840
93.242	3600	UNIVERSITY OF CALIFORNIA DAVIS	A130027S00220112176203	51,527
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1580 G VA719 AM01	108,680
93.242	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	2000 G WE286	7,780
93.242	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	97774168 AM01	19,864
93.242	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8925SC AM04	13,631
93.242	3600	UNIVERSITY OF FLORIDA	UFDSP00011760 AM02	5,263
93.242	3600	UNIVERSITY OF FLORIDA	UFDSP00011984 AM01	6,733
93.242	3600	UNIVERSITY OF KWAZULU-NATAL	UKZN U19 2017 1 AM02	182,997
93.242	3600	UNIVERSITY OF KWAZULU-NATAL	UKZN U19 2017 1	845
93.242	3600	UNIVERSITY OF LIVERPOOL	AMENDMENT 2	16,779
93.242	3600	UNIVERSITY OF MINNESOTA	A006759602	20,982
93.242	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5111740	16,137
93.242	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5113535	15,600
93.242	3600	UNIVERSITY OF PENNSYLVANIA	568643 AM 2	28,296
93.242	3600	UNIVERSITY OF PENNSYLVANIA	568643 AM03	1,028
93.242	3600	UNIVERSITY OF PENNSYLVANIA	576359	40,773
93.242	3600	UNIVERSITY OF VIRGINIA	GB10691.PO#2133382	48,947
93.242	3600	WASHINGTON UNIVERSITY IN ST LOUIS	UW638824	13,321
93.242	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-18-449 MOD01	95,021
93.242	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-307	2,617
93.242	3600	YALE UNIVERSITY	GR100245CON80000779AM4	2,013
93.242	3600	YALE UNIVERSITY	GR102866CON80001336AM0	422,760
93.242	3650	UNIV OF COLORADO	FY18001018	219,023
93.243	3030	LIFELINE	0546804899	160,470

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93.243	3600	AMERICAN PSYCHIATRIC ASSOCIATION (APA)	UW807200	15,858
93.243	3600	CONFEDERATED TRIBES AND BANDS OF YAKAMA	UW638667	2,879
93.243	3600	NEIGHBORHOOD HOUSE INC	AM02	6,786
93.243	3600	UTAH DEPARTMENT OF HUMAN SERVICES	176076 AM01	10,930
93.262	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008844_UWA AM02	-6,701
93.262	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008844_UWA AM03	67,304
93.262	3600	THE CENTER FOR CONSTRUCTION	UW632734	12,554
93.262	3650	TX A&M UNIV FED	M1803758	16,421
93.262	3650	UNIVERSITY OF UTAH	1004688401	6,910
93.262	3700	The Center to Protect Workers' Rights	SR 3001-612-01 AMEND#7	203,986
93.270	3600	KING COUNTY	1133 PREV AM02	45,750
93.270	3600	KING COUNTY	1133 PREV AM04	20,454
93.273	3600	*YALE UNIVERSITY	GR101768CON80001081	920
93.273	3600	ARIZONA STATE UNIVERSITY	18-311	4,450
93.273	3600	ARIZONA STATE UNIVERSITY	ASUB00000065 AM01	20,301
93.273	3600	BOSTON MEDICAL CENTER	BMC ID 6205 AM01	24,251
93.273	3600	BOSTON MEDICAL CENTER	BMC ID# 6205	8,957
93.273	3600	BUTLER HOSPITAL	9132-8389 AM03	94,916
93.273	3600	CORNELL UNIVERSITY NEW YORK	69951-10233 AM05	49,678
93.273	3600	EMORY UNIVERSITY	T814971	-354
93.273	3600	EMORY UNIVERSITY	T969838AM25U01AA026108	148,073
93.273	3600	KAISER FOUNDATION HEALTH PLAN OF WA	5K24AA022128-UW AM02	6,646
93.273	3600	RHODE ISLAND HOSPITAL	7017137290-1 AM01	18,111
93.273	3600	SAN DIEGO STATE UNIVERSITY RSCH FNDN	SA0000640	37,316
93.273	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512064-001 AM-A03	70,232
93.273	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512064-001 AM01	45,567
93.273	3600	UNIVERSITY OF BRISTOL	20183185	19,996
93.273	3600	UNIVERSITY OF MINNESOTA	A007398902	25,406

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93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00120-2018-0149	3,565
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00121-2018-0166 AM01	14,588
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00123-2018-0189 AM 1	44,699
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00123-2018-0189 AM03	40,856
93.273	3600	UNIVERSITY OF NORTH TEXAS HSC	RF00143-2018-0407	58,909
93.273	3600	UNIVERSITY OF WISCONSIN MADISON	806K374 AM01	21,345
93.273	3600	YALE UNIVERSITY	GR101364AMEND1CON80001	1,656
93.273	3600	YALE UNIVERSITY	GR104303CON80001425AM0	1,765
93.273	3600	YALE UNIVERSITY	GR104479CON80001450AM0	1,760
93.273	3650	UNIVERSITY OF CALIFORNIA -	10532SC	21,381
93.279	1070	Stanford University	7R01DA037222	75,987
93.279	3600	BEHAIVIOR LLC	UW637723	41,479
93.279	3600	BOSTON MEDICAL CENTER	4457 AM05	40,444
93.279	3600	BRISTOL-MYERS SQUIBB COMPANY	UW BUD# 666325	15,244
93.279	3600	BROWN UNIVERSITY	00001143 AM02	63,444
93.279	3600	BROWN UNIVERSITY	00001314	16,579
93.279	3600	EMOCHA MOBILE HEALTH INC	AM01PRIME1R44DA0440530	133,158
93.279	3600	EMORY UNIVERSITY	T855321AM011R01DA04561	19,663
93.279	3600	FATHER FLANAGAN'S BOYS' HOME	97015-B AM02	15,370
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000909950	-1,281
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916631 AM01	-362
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000956904 AM01	108,051
93.279	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW639344	590
93.279	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2018114450 AM01	32,092
93.279	3600	KAISER FOUNDATION RESEARCH INSTITUTE	PRIMER01DA04212402AM01	18,285
93.279	3600	KAISER FOUNDATION RESEARCH INSTITUTE	PRIMER01DA04212402AM02	6,244
93.279	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011286_UWA	1,858
93.279	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011286_UWA AMD 2	3,722



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93.279	3600	RESEARCH FOUNDATION FOR STATE UNIV OF NY	R908941 AM04	17,111
93.279	3600	RTI INTERNATIONAL	1-312-0216634-65463L	4,559
93.279	3600	SAINT LOUIS UNIVERSITY	ERS# 21987-44197	4,713
93.279	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000517103-003	75,967
93.279	3600	UNIVERSITY OF MIAMI	SPC-000803	235,797
93.279	3600	UNIVERSITY OF MIAMI	SPC-000803 AM02	117,794
93.279	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	61875882AM065P01DA0357	167,069
93.279	3600	UNIVERSITY OF UTAH	10045277-01	21,822
93.279	3650	RESEARCH TRIANGLE INSTITUTE	13400212645	3,640
93.279	3650	UNIV OF CINCINNATI	011130003	13,904
93.279	3650	UNIV OF NC CHAPEL HILL	5034602	80,531
93.283	3030	IDAHO DEPT. OF HEALTH & WELFARE	0546100001	1,518
93.286	3600	INDIANA UNIVERSITY	BL4648731UW AM01	36,182
93.286	3600	UNIVERSITY OF TEXAS AUSTIN	UTA17-000891 AM02	28,918
93.297	3600	POWER TO DECIDE	UW664381	6
93.297	3600	WASHINGTON STATE PHARMACY ASSOCIATION	UW-01	21,672
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-04) AM06	119,640
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-05)	46,677
93.307	3600	COLUMBIA UNIVERSITY	1(GG011834-06) AM07	24,818
93.307	3600	MASSACHUSETTS GENERAL HOSPITAL	227351 AM04	11,583
93.307	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2017201 AM02	50,782
93.307	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109073 MOD02	122,479
93.307	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109076 AM01	115,404
93.307	3650	SOUTHCENTRAL FOUNDATION	2017033	-12,257
93.307	3650	UNIV OF COLORADO	FY18001024	26,268
93.307	3650	UNIV OF COLORADO	GAR55102178	318,151
93.307	3650	UNIV OF OK FED FLOW	RS2015231801	-520
93.310	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	311196 AM01	35,005

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93.310	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	311197	9,747
93.310	3600	BROAD INSTITUTE INC	56102255500000695AM09	177,694
93.310	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S408790	184,902
93.310	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	UW637163	131,286
93.310	3600	DREXEL UNIVERSITY	800109 AM02	34,422
93.310	3600	DREXEL UNIVERSITY	800110 AM02	9,788
93.310	3600	DREXEL UNIVERSITY	800175 AM03	107,357
93.310	3600	NORTHEASTERN UNIVERSITY	500534-78050 AM01	115,482
93.310	3600	UNIVERSITY OF CALIFORNIA SANTA CRUZ	A18-0757-S005-P0688013	63,163
93.310	3600	WESTAT INC	6366-SO1 MOD03	23,516
93.310	3600	WESTAT INC	6366-SO1 MOD04	70,918
93.322	3030	ASSOCIATION OF PUBLIC HEALTH LABORATORIES	0546158099	1,088
93.322	3030	ASSOCIATION OF PUBLIC HEALTH LABORATORIES	0546164001	32,240
93.344	3600	VACCINE GRID FOUNDATION	UW638697	21,010
93.350	3600	HARVARD UNIVERSITY	153185.5113026.0111	3,818
93.350	3600	NEW YORK UNIVERSITY SCHOOL OF MEDICINE	16A00000700001AM01	50,188
93.350	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011902_UWA	7,053
93.350	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1011902_UWA AM01	741,565
93.350	3600	SEATTLE CHILDREN'S HOSPITAL	12105SUB	16,518
93.350	3600	UNIVERSITY OF CALIFORNIA IRVINE	2018-3590	39,200
93.350	3600	UNIVERSITY OF PITTSBURGH	0055353 (130920-37)	94,499
93.351	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008419_UWA AM02	34,315
93.351	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1008419_UWA AM1	-411
93.351	3600	UNIVERSITY OF MIAMI	SPC-000853	316,167
93.353	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939646 AM01	-9,282
93.353	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000955697	15,614
93.353	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000958011	2,853

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93.353	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	0000951432	1,239
93.353	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	PO# BD522497	48,504
93.353	3600	SLOAN KETTERING INST FOR CANCER RESEARCH	PO# BD522497B AM03	145,712
93.361	3600	BAYLOR COLLEGE OF MEDICINE	PO#7000000671	112,434
93.361	3600	CASE WESTERN RESERVE UNIVERSITY	RES513808	58,108
93.361	3600	SEATTLE CHILDREN'S HOSPITAL	11964SUB	17,605
93.361	3600	SOUTHCENTRAL FOUNDATION	2016-158	18,451
93.361	3600	UNIVERSITY OF COLORADO	FY19.105.004/2-5-A6980	9,925
93.361	3600	UNIVERSITY OF NEW MEXICO	3RZ32 AM03	93,262
93.361	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5106244 AM03	154,871
93.361	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5112454	20,220
93.361	3650	UNIV OF NC CHAPEL HILL	5106247	25,156
93.393	3600	ARIZONA STATE UNIVERSITY	16-837 AM05	75,451
93.393	3600	ARIZONA STATE UNIVERSITY	17-093 AM03	29,206
93.393	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW635223	1,839
93.393	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	321072PO961593RSUBAM03	102,996
93.393	3600	COLUMBIA UNIVERSITY	6(GG012814-01) AM01	56,234
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915889	10,401
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915889 MOD01	12,311
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915891	4,839
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915893	8,034
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916112	17,404
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916357	8,394
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009182101U01CA217883	11,426
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918479	2,567
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928697	654,514
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928782 AM01	16,835
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000930106 AM02	247,679

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93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000936645	7,822
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938578	23,115
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938581	27,553
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938583	19,082
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938584	27,924
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938585	7,709
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938602	15,751
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940775	12,266
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940776	8,836
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000954435	39,963
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000956388 AM01	51,563
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000966302	66,098
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967418	23,875
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000969098	11,925
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000975148	51,194
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000975149	151,487
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000975442	78,107
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000976610	2,656
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977455	22,987
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000978723	2,537
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000980371	4,649
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000980373	7,372
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000980423	1,778
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000980424	2,680
93.393	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW638915	11,542
93.393	3600	HARVARD PILGRIM HEALTH CARE INC	AH000632 AM02	37,741
93.393	3600	HARVARD UNIVERSITY	116071-5089696 AM06	14,085
93.393	3600	MASSACHUSETTS GENERAL HOSPITAL	116071-5089696 AM07	136,191

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93.393	3600	PENNSYLVANIA STATE UNIVERSITY	UWCA237153	1,891
93.393	3600	SEATTLE CHILDREN'S HOSPITAL	11042SUB MOD05	89,711
93.393	3600	UNIVERSITY OF CALIFORNIA DAVIS	201603696-13, AM1	88,924
93.393	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1557 G VC172 AM01	258,711
93.393	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1557 G WA025	108,072
93.393	3600	UNIVERSITY OF DELAWARE	44956 AM02	18,009
93.393	3600	UNIVERSITY OF UTAH	10043057-02 AM02	20,393
93.394	3600	CORNELL UNIVERSITY	180357-03 AM03	10,342
93.394	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	1671 AM05	7,566
93.394	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	1671, AMENDMENT 4	50,572
93.394	3600	EMORY UNIVERSITY	A025074 AM02	32,679
93.394	3600	EMORY UNIVERSITY	UW639366	10,485
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000937268 AM01	16,211
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939752 AM01	159,215
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940026	101,860
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000947176	9,259
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000951725	78,056
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000952116 AM01	12,362
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000981191	4,983
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW638851	59,060
93.394	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW639600	50,541
93.394	3600	KITWARE INC	K001416-00-S01 MOD3	126,056
93.394	3600	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710004063 AM03	275,806
93.394	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	IG114SCWN14SIBCRM001	48,611
93.394	3600	TWIN STRAND BIOSCIENCE, INC.	TSUW-02	127,750
93.394	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1557 G VB811 AM01	90,569
93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10048SC AM02	24,932
93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11124SC	12,378

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93.394	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9770SC AM02	65,349
93.394	3600	UNIVERSITY OF IOWA	W000893975PO1001713589	55,479
93.394	3600	UNIVERSITY OF PENNSYLVANIA	569007 AM02	11,678
93.394	3600	UNIVERSITY OF PENNSYLVANIA	569007 AM03	4,180
93.394	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	164145/163478 AM03	9,006
93.394	3600	WEILL MEDICAL COLLEGE OF CORNELL UNIV	183677-03 AM04	87,166
93.395	3600	BECKMAN RSCH INST OF THE CITY OF HOPE	600532003607669302AM02	62,847
93.395	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0307703S01	-1,446
93.395	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0307703S01-A01	13,520
93.395	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	UW636337	29,763
93.395	3600	DYNAFLOW INC	2M18022-1-UW	100,867
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA180820-05-WASH4	19,998
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082001WASH1AM04	14,428
93.395	3600	ECOG-ACRIN MEDICAL RESEARCH FOUNDATION	U10CA18082002WASH3AM03	6,599
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910144 AM01	-1,700
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000915994	8,305
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000919075 AM01	1,025
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926778	55,704
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000933273 AM01	13,572
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000933644	-2,319
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000935334 AM01	84,658
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940802	52,581
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000944765 AM01	41,882
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000947289	9,153
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000954064	14,732
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000960491	62,219
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000973594	236,798
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000974636	6,489

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93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000978583	1,654
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000983567	20,397
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW639223	1,681
93.395	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	0000933273 AM01	74,255
93.395	3600	GEORGIA INSTITUTE OF TECHNOLOGY	RK444-G1	23,288
93.395	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2016.0002 AM03	89,116
93.395	3600	JOHN WAYNE CANCER INSTITUTE (JWCI)	R01 CA 189163 AM11	12,763
93.395	3600	MAYO CLINIC	UNI-198769-05 AM06	42,511
93.395	3600	MAYO CLINIC	UNI-198769-07 AM07	17,832
93.395	3600	NANOSURFACE BIOMEDICAL INC	PRIME1R43CA22165901	-18,033
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627 UWA AM04	63,106
93.395	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9009627-003_ UWA AM 3	9,685
93.395	3600	PET/X LLC	2016-01#A113106	4
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11512SUB MOD03	14,184
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11539SUB MOD02	3,712
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11539SUB MOD03	252,775
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11540SUB MOD03	3,284
93.395	3600	SEATTLE CHILDREN'S HOSPITAL	11572SUB AM03	15,242
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW217BW21SIBCR	132
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ13GJ11SIBCR-MOD1	32
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ13GJ12SIBCR MOD1	13,384
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ13GJ13SIBCR	4,461
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ13LEE12SIBCR MOD 1	734
93.395	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ15GJ13SIBCR	12,816
93.395	3650	SEATTLE CHILDREN'S RESEARCH	11515SUB	12,751
93.396	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029664 AM05	59,626
93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924194	2,577

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93.396	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000957456	10,271
93.396	3600	NEW YORK UNIVERSITY SCHOOL OF MEDICINE	18-A1-00-1000999	57,094
93.396	3600	OHIO STATE UNIVERSITY	60068579	52,268
93.396	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00612953RFS2016027AM	3,636
93.397	3600	AMERICAN HEARING RESEARCH FOUNDATION (AHRF)	0000905478	3,295
93.397	3600	FRED HUTCH/UNIVERSITY OF WASHINGTON CANCER CONSORTIUM	0000979302	6,571
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000908798 AM02	1,970
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917017 AM01	16,499
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917643	46,154
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000917652	7,649
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923895	15,662
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923896	70,952
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009239095P50CA097186	43,476
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923910	3,013
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000923911 AM01	45,912
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928110 AM01	127,614
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928112 AM01	12,743
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928113 AM01	160,837
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928114 AM1	62,688
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928115 AM1	58,200
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928116 AM02	181,086
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000928117 AM01	15,502
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000930664 AM01	29,171
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938520	76
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938525	5,376
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938539	1,260
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938587	9,242



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93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938589	46,425
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938754	11,182
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938899	48,085
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938900	8,623
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938901	11,798
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000938954	-28,635
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939660	69,972
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939738	45,075
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939750	39,818
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939751	31,681
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939753	1,364
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939771	135
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000939828	49,213
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940822	34,248
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000946060 AM01	14,681
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000948347	4,179
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000954930	50,000
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000955270	6,501
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000955910	15,835
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000956821	17,902
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000957819	8,800
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000957961	127,887
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000958053	11,758
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000958170	152,546
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000961759	910
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000963455	149,114
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000963456	213,790
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000963457	6,053

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93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000963459	73,452
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000964115	47,919
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000964121	4,078
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000974245	38,328
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000975529	15,557
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000975644	61,552
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977579	107,537
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977580	56,245
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977593	113,075
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000978703	33,428
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979143	8,187
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979144	5,485
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979146	8,504
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979309	6,305
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979310	1,806
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979390	19,492
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000979972	11,646
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000980983	206,047
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000983563	18,711
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000984332	94,733
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	000943187	41,931
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	SA1901500	26,561
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW636507	38,251
93.397	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW637014	29,786
93.397	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2018.0009	110,105
93.397	3600	SEATTLE INSTITUTE FOR BIOMEDICAL AND CLINICAL RESEARCH (SIBCR)	0000906601	17,260
93.397	3600	UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES	0000900210	5,137

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93.397	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004538756	-26,615
93.397	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004538756 AM01	56,166
93.397	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3004538756 AM02	131,362
93.399	3600	SUN NUCLEAR CORPORATION	PRIME1R41CA21745201A1	118,980
93.421	3030	ASSOCIATION OF STATE & TERRITORIAL HEALTH OFFICIALS	0546100000	1,015
93.421	3030	ASSOCIATION OF STATE & TERRITORIAL HEALTH OFFICIALS	0546442099	42,303
93.421	3600	NATIONAL NETWORK OF PUBLIC HEALTH INST	G1288	16,782
93.421	3600	NATIONAL NETWORK OF PUBLIC HEALTH INST	G1289	42,084
93.421	3600	NATIONAL NETWORK OF PUBLIC HEALTH INST	G1290	40,303
93.421	3600	NATIONAL NETWORK OF PUBLIC HEALTH INST	G1291	89,752
93.421	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	0742019	59,635
93.424	3030	COUNCIL OF STATE & TERRITORIAL EPIDEMIOLOGISTS	0546912899	2,318
93.424	3600	NATL ASSOC OF CHRONIC DISEASE DIRECTORS	2402018	65,670
93.433	3600	CARNEGIE MELLON UNIVERSITY	1090524-394080	86,287
93.433	3600	CARNEGIE MELLON UNIVERSITY	1090562-409090	192,572
93.433	3600	CRAIG HOSPITAL	2694-UWBY1	55,314
93.433	3600	MEMORIAL HERMANN HEALTH SYSTEM	18-1800	5,000
93.433	3600	MEMORIAL HERMANN HEALTH SYSTEM	19-1800 AM01	6,485
93.433	3600	SHIRLEY RYAN ABILITYLAB	7258	50,911
93.433	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000513370-002 AM03	25,046
93.433	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000513370-002 AMA02	13,707
93.470	3600	STATE OF OREGON	158394	9,417
93.508	3600	UNITED INDIANS OF ALL TRIBES FOUNDATION	A71880 MOD08	28,805
93.527	3600	KING COUNTY	3965 CHS	38,587
93.535	3600	ARIZONA STATE UNIVERSITY	18-278 AM01	21,024
93.556	3700	Idaho Dept of Health & Welfare	KC267300 AMEND#1	116,340

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93.558	6990	Greater Columbia Allied Health	C18-181	7,104
93.558	6990	LEP Pathway	1665-68116	687,975
93.576	6990	DSHS Refugees	1665-77400	63,038
93.600	3600	ZERO TO THREE	201709279N	115,549
93.600	3600	ZERO TO THREE	201709280N A03	244,450
93.600	3600	ZERO TO THREE	2018090433	352,540
93.600	3600	ZERO TO THREE	2018090434	150,348
93.600	3600	ZERO TO THREE	2018090434 AM02	651,731
93.600	6990	Olympic Educational Service Dist #114	Headstart	400,077
93.600	6990	Puget Sound ESD	09854	191,988
93.600	6990	Puget Sound ESD	1550	190,216
93.600	6990	Puget Sound ESD	Early Headstart	73,627
93.600	6990	Puget Sound ESD	Headstart	88,762
93.610	3600	MONTEFIORE MEDICAL CENTER	AM03	-7,267
93.612	3650	NEZ PERCE TRIBE FED FLOW	WSU003561	29,455
93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION	AMEND 2	94,737
93.639	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW635213	293,597
93.645	3700	Idaho Dept of Health & Welfare	CONT#1C100800 AMEND#2	192,227
93.652	3600	SPAULDING FOR CHILDREN	90CO1134-01-00 (PRIME)	88,987
93.652	3600	SPAULDING FOR CHILDREN	90CO1134-02-01 (PRIME)	162,211
93.652	3600	SPAULDING FOR CHILDREN	UW635235	38,925
93.652	3600	SPAULDING FOR CHILDREN	UW662831	90,412
93.658	3700	Idaho Dept of Health & Welfare	KC261400 & AMEND#3	1,123,457
93.658	3700	Idaho Dept of Health & Welfare	KC278400	55,452
93.733	3600	NATL ASSOCIATION OF CHAIN DRUG STORES	1H231P000985-01 AM01	2,925
93.837	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9102SC AM03	184,523
93.837	3600	BRIGHAM AND WOMEN'S HOSPITAL	PS#224978 MOD06	45,220
93.837	3600	CEDARS-SINAI MEDICAL CENTER	0001476626 AM02	4,793

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93.837	3600	CEDARS-SINAI MEDICAL CENTER	1373766	7,556
93.837	3600	COLUMBIA UNIVERSITY	1(GG010998-07) AM04	53,971
93.837	3600	COLUMBIA UNIVERSITY	3(GG011046-04) AM03	93,298
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	177494218214226028AM01	21,426
93.837	3600	DUKE CLINICAL RESEARCH INSTITUTE (DCRI)	SPS162060SITE070AM04	-9,027
93.837	3600	DUKE UNIVERSITY	203-8487 AM01	59,678
93.837	3600	DUKE UNIVERSITY	A039010	91,121
93.837	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000872675 AM01	-1,401
93.837	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-7514-4609	4,582
93.837	3600	JOHNS HOPKINS UNIVERSITY	2003928666	109,302
93.837	3600	JOHNS HOPKINS UNIVERSITY	2003928666 AM01	20,937
93.837	3600	JOHNS HOPKINS UNIVERSITY	2004073037	28,679
93.837	3600	KAISER PERMANENTE	OOS030150-UOW-02 AM03	305,365
93.837	3600	MICHIGAN STATE UNIVERSITY	RC109668UW	10,442
93.837	3600	NANOSURFACE BIOMEDICAL INC	A130787	134,018
93.837	3600	NEW ENGLAND RESEARCH INSTITUTES, INC. (NERI)	MOD 04	9,302
93.837	3600	NEW YORK UNIVERSITY	001501 AM04	10,398
93.837	3600	NORTHWESTERN UNIVERSITY	60043933 UW AM02	37,415
93.837	3600	OHIO STATE UNIVERSITY	60059645 AM02	-9,785
93.837	3600	OHIO STATE UNIVERSITY	60059645 AM03	-2,871
93.837	3600	OHIO STATE UNIVERSITY	60064759	437,034
93.837	3600	OHIO STATE UNIVERSITY	60071090 AM01	28,161
93.837	3600	OHIO STATE UNIVERSITY	60071091 AM01	4,220
93.837	3600	OPTICYTE INC	R44HL127543-03	66,713
93.837	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1005697_UW AM03	43,487
93.837	3600	SEATTLE CHILDREN'S HOSPITAL	11351SUB MOD06	94,042
93.837	3600	SEVEN BRIDGES GENOMICS INC	AM01	127,526

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93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	112042030-7767142 AM03	-38
93.837	3600	ST JUDE CHILDREN'S RESEARCH HOSPITAL	112042040-7826185 AM04	12,064
93.837	3600	THOMAS JEFFERSON UNIVERSITY	080-18007-S27801AM1	292,981
93.837	3600	TUFTS UNIVERSITY	10019000001HH4010AM02	83,086
93.837	3600	TUFTS UNIVERSITY	HH5920 AM01	166,246
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509971-001 AM A04	14,630
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512650-001 AM02	23,700
93.837	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000518176-001 AM A05	201,016
93.837	3600	UNIVERSITY OF CHICAGO	FP065347-02-PR	32,654
93.837	3600	UNIVERSITY OF ILLINOIS CHICAGO	16993 AM01	32,031
93.837	3600	UNIVERSITY OF ILLINOIS CHICAGO	17356	29,168
93.837	3600	UNIVERSITY OF IOWA	S00450-01	4,892
93.837	3600	UNIVERSITY OF IOWA	S00450-01 AM01	2,831
93.837	3600	UNIVERSITY OF KENTUCKY RESEARCH FNDN	3200000735-17-036 AM02	7,291
93.837	3600	UNIVERSITY OF MARYLAND BALTIMORE	101330A AM04	-49
93.837	3600	UNIVERSITY OF MINNESOTA	N005339720 AM01	22,067
93.837	3600	UNIVERSITY OF MINNESOTA	P005875701, AM1	32,086
93.837	3600	UNIVERSITY OF MINNESOTA	UW638572	8,717
93.837	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5113177	4,776
93.837	3600	UNIVERSITY OF PITTSBURGH	00530321289961AM01	22,610
93.837	3600	UNIVERSITY OF PITTSBURGH	CNVA000504701273911AM0	171,792
93.837	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	0012348C	21,690
93.837	3600	UNIVERSITY OF VIRGINIA	GB10586.159200	24,957
93.837	3600	UNIVERSITY OF WISCONSIN MADISON	867K764	20,774
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59443 AM 3	66,958
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733	561,219
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733 AMEND 1	267,388
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 59733 AMEND 2	1,022

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93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC58612 AM01	53,660
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC58612 AM02	74,928
93.837	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC58612 AM03	14,361
93.837	3600	WAKE FOREST UNIVERSITY	WUHS 114488, AM02	-5
93.837	3600	WAKE FOREST UNIVERSITY	WUHS 114489 AM03	86,675
93.837	3600	WAKE FOREST UNIVERSITY	WUHS 114799	40,563
93.837	3600	WAKE FOREST UNIVERSITY	WUHS 116828 AM01	25,697
93.837	3600	WAKE FOREST UNIVERSITY	WUHS 116829 AM03	28,167
93.837	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-17-310-MOD-2	30,642
93.837	3600	YALE UNIVERSITY	GR105731CON80001726	25,228
93.837	3600	YALE UNIVERSITY	M14A11810(A09626) AM04	68,600
93.837	3650	UNIV OF AZ	3011860	3,305
93.837	3650	UNIV OF HI RES CORP FED FLOW	KA150030KA1022	-2,126
93.837	3650	UNIV OF OK FED FLOW	RS2012229608	-336
93.837	3800	Emory University	A051237	8,170
93.838	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8893SC AM03	55,154
93.838	3600	CARNEGIE MELLON UNIVERSITY	1090409-334683 AM04	-5,727
93.838	3600	CINCINNATI CHILDREN'S HOSP MEDICAL CTR	303862	167,344
93.838	3600	COLUMBIA UNIVERSITY	1(GG007619-04) AM03	2,638
93.838	3600	COLUMBIA UNIVERSITY	2(GG007668-01) AM02	11,518
93.838	3600	COLUMBIA UNIVERSITY	2(GG011662) AM01	16,353
93.838	3600	COLUMBIA UNIVERSITY	2(GG012782) AM01	82,187
93.838	3600	COLUMBIA UNIVERSITY	4(GG010919-03) AM03	1,193
93.838	3600	COLUMBIA UNIVERSITY	4(GG010919-05) AM04	67,783
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	229886 MOD05	171,549
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	229960 MOD01	278,710
93.838	3600	MASSACHUSETTS GENERAL HOSPITAL	MOD03PRIME5U01HL123009	42,929

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93.838	3600	NORTHSHORE UNIVERSITY HEALTHSYSTEM FNDN	EH17-325-S4	11,773
93.838	3600	PACIFIC HEALTH RESEARCH INSTITUTE	UW BUD# 667962	5,946
93.838	3600	SEATTLE CHILDREN'S HOSPITAL	11659SUB MOD01	23,261
93.838	3600	SEATTLE CHILDREN'S HOSPITAL	12075 SUB	9,983
93.838	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	AD222GLEASE1SIBCR	1,377
93.838	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	AD222PLUMLR3SIBCR	136
93.838	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	AD222PLUMLR4SIBCR	1,458
93.838	3600	UNIVERSITY OF IOWA	S00062 AM02	3,530
93.838	3600	UNIVERSITY OF IOWA	S00062-01	17,261
93.838	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00008473	28,154
93.838	3600	UNIVERSITY OF PITTSBURGH	00352001299073AM01	13,206
93.838	3600	UNIVERSITY OF PITTSBURGH	9012549 (130129-50)	340
93.838	3600	UNIVERSITY OF VERMONT	31438-01-004SUB-0005	105,574
93.838	3600	UNIVERSITY OF VERMONT	3143801004SUB0005AM01	-2,594
93.838	3600	UNIVERSITY OF VERMONT	3143801004SUB0005AM03	23,898
93.838	3600	UNIVERSITY OF VERMONT	3143801004SUB0005AM04	15,995
93.838	3600	UNIVERSITY OF VERMONT	32723SUB52546	3,497
93.838	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-105	26,006
93.839	3600	*SEATTLE CHILDREN'S HOSPITAL	11288SUB MOD03	25,079
93.839	3600	BLOODWORKS NORTHWEST	883-UW-2019	5,710
93.839	3600	BRIGHAM AND WOMEN'S HOSPITAL	113440 AM04	5,588
93.839	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-15014-D	57,205
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000846587 AM04	9,314
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000916288	1,304
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929254	-113,583
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000947078	347,472
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000951722 AM01	10,872
93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000954258	206,296



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93.839	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000969256	118,675
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11577SUB MOD02	-14,278
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	11899SUB MOD01	108,767
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	12003SUB	36,113
93.839	3600	SEATTLE CHILDREN'S HOSPITAL	12004SUB MOD01	57,757
93.839	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000502659-002 AM04	48,546
93.839	3600	UNIVERSITY OF CHICAGO	FP066598-D AM01	32,281
93.839	3600	UNIVERSITY OF COLORADO	FY18.878.004 AM02	66,513
93.839	3600	UNIVERSITY OF COLORADO	FY18878004FY19878004AM	12,610
93.839	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5112806	14,310
93.839	3600	UNIVERSITY OF ROCHESTER	417287GURFAOGR510757	201,976
93.839	3600	UNIVERSITY OF ROCHESTER	417287GURFAOGR510757AM	51,802
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM02	-1
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM03	386,587
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	75103107 AM04	44,401
93.839	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	UW634828	-76,466
93.839	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	0013267D AM01	110,970
93.839	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	0014251A	2,748
93.846	3600	HEBREW REHABILITATION CENTER	90077 AM01	5,607
93.846	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-1291-4609	20,075
93.846	3600	JOHNS HOPKINS UNIVERSITY	1R01AR064066 MOD01	1,163
93.846	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ11GJ13SIBCR	1,055
93.846	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	GJ11GJ14SIBCR	13,942
93.846	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	POSB223SHOFEJ1SIBCR	12,585
93.847	3600	*SEATTLE CHILDREN'S HOSPITAL	11334SUB MOD03	44,695
93.847	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10863SC AM01	184,471
93.847	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8379SCAM065R01DK098233	12,264
93.847	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	310859 AM08	27,814

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93.847	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	310859AMEND7PO661001	75,461
93.847	3600	ARIZONA STATE UNIVERSITY	16-924 AM04	17,135
93.847	3600	AUGUSTA UNIVERSITY	32307-18	10,730
93.847	3600	AUGUSTA UNIVERSITY	32307-3 AM01	62,399
93.847	3600	AUGUSTA UNIVERSITY	32307-34	34,617
93.847	3600	AUGUSTA UNIVERSITY	32307-6 AM01	71,611
93.847	3600	BAYLOR COLLEGE OF MEDICINE	7000000733	7,730
93.847	3600	BOSTON CHILDREN'S HOSPITAL	GENFD0001337145 AM02	32,170
93.847	3600	BRIGHAM AND WOMEN'S HOSPITAL	111345 AM04	7,009
93.847	3600	BROAD INSTITUTE INC	5216284-5500001209	4,887
93.847	3600	BROWN UNIVERSITY	00001054 AM02	37,831
93.847	3600	BROWN UNIVERSITY	00001250 AM01	47,379
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	1008-SUB	15,051
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	1046-SUB	90,522
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	1082-SUB	107,584
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	862 SUB AM03	-25,525
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	974-SUB AM01	2,814
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES509472 AM03	929
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512226	1,918
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512556	90
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512841 AM02	45,833
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES512873	60
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES513286	14,229
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES513286 AM01	283,718
93.847	3600	CASE WESTERN RESERVE UNIVERSITY	RES514013	4,947
93.847	3600	CLEVELAND CLINIC	UW BUD# 665106	9,695
93.847	3600	COLUMBIA UNIVERSITY	5216282-5500000979	4,297
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009180981RC2DK114777	-2,954

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93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000932072	14,111
93.847	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	00009492295RC2DK114777	150,232
93.847	3600	GEORGE WASHINGTON UNIVERSITY	16-D17 AM01	340,813
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP-1819-JC02	332,668
93.847	3600	GEORGE WASHINGTON UNIVERSITY	S-DPP1920-JC02	329,178
93.847	3600	GEORGE WASHINGTON UNIVERSITY	UW638799	55,994
93.847	3600	JOHNS HOPKINS UNIVERSITY	2003992125	23,892
93.847	3600	JOSLIN DIABETES CENTER	100069 AM01	87,195
93.847	3600	JOSLIN DIABETES CENTER	100069 AM02	136,230
93.847	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2018103409	-1,405
93.847	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG003044BUDG02UW00AM0	93,060
93.847	3600	KAISER FOUNDATION RESEARCH INSTITUTE	RNG209700-02	4,624
93.847	3600	KAISER FOUNDATION RESEARCH INSTITUTE	UW636508	122,184
93.847	3600	KAISER PERMANENTE	CS113409_UOW AM03	37,567
93.847	3600	LOYOLA UNIVERSITY CHICAGO	206423 AM01	-5
93.847	3600	LOYOLA UNIVERSITY CHICAGO	206423 AM03	11,199
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	226142 AM06	38,283
93.847	3600	MASSACHUSETTS GENERAL HOSPITAL	226142 AM07	9,999
93.847	3600	NORTHWESTERN UNIVERSITY	60037997 UW	235,570
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965_UWA AM05	34,345
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965UWA AM 4	-8
93.847	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004965UWAMARCOVINAAM0	82,695
93.847	3600	ROCKEFELLER UNIVERSITY	3R01DK113375-02S1	49,879
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11096SUB MOD03	18,174
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11097SUB	10,139
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11097SUB MOD05	95,857
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11648SUB	-4,510
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11648SUB MOD01	2,098

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93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11866SUB	936,174
93.847	3600	SEATTLE CHILDREN'S HOSPITAL	11866SUB MOD01	42,876
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BJ211-BJ2-1-SIBCR	2,364
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BJ211-BJ2-2-SIBCR	2,367
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BJ211-SIKKEC-1-SIBCR	4,029
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HR15-APLINA-3-SIBCR	10,090
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HR15HR17SIBCR MOD01	63,752
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HR15HR18SIBCR	24,085
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121-BE1-9SIBCR	5,404
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121-SOCHAJ-10SIBCR	11,445
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121BE18SIBCR	7,559
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121SOCHAJ9SIBCR	22,803
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121WFUKS11SIBCR	9,865
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS121WFUSOCHAJ1SIBCR	19,461
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-LOVATC-6-SIBCR	13,421
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-PJ1-6-SIBCR	4,944
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-UW-6 AM01	-2,457
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141-UW-7 AM01	949,020
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141WFUKS13SIBCR	2,188
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS141WFUKS14SIBCR	9,190
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16-SOCHAJ-4-SIBCR	12,602
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16-SOCHAJ-5-SIBCR	6,359
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16KS18SIBCR	5,702
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16KS19SIBCR	3,338
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16LOVATC8SIBCR	3,905
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KS16LOVATC9SIBCR	2,805
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ115-PJ1-4-SIBCR	51,408
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ115BROOKB3SIBCR	13,052

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93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ115BROOKB4SIBCR	69,520
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ115PJ13SIBCR MOD1	7,447
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ116-BROOKB-3-SIBCR	7,731
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ116-BROOKB-4-SIBCR	41,682
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ116-PJ1-3-SIBCR	4,115
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PJ116-PJ1-4-SIBCR	29,876
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UK1-GRADE-KS1-6-SIBCR	28,380
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UK1-GRADE-WL1-2-SIBCR	1,081
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UK1-GRADE-WL1-3-SIBCR	12,056
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UK1GRADE-UK1-4-SIBCR	501
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UK1GRADE-UK1-5-SIBCR	5,529
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	ZS22-MUNDIT-3-SIBCR	21,673
93.847	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	ZS22-ZS2-6-SIBCR	65,872
93.847	3600	SONOMOTION INC	AM04	93,535
93.847	3600	SONOMOTION INC	UW OSP #A106137	20,180
93.847	3600	SONOMOTION INC	UW662485	9,674
93.847	3600	SWEDISH HEALTH SERVICES	600103 C.05	12,368
93.847	3600	TUFTS MEDICAL CENTER	5013848-SERV	26,595
93.847	3600	TUFTS MEDICAL CENTER	5013848-SERV AM01	2,864
93.847	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000518101-003	2,888
93.847	3600	UNIVERSITY OF CALIFORNIA IRVINE	2014-3113 AM04	16,149
93.847	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	38947675 AM006	37,855
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10309SC AM02	99,327
93.847	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10321SC AM01	45,014
93.847	3600	UNIVERSITY OF CHICAGO	FP068366-01 B	11,263
93.847	3600	UNIVERSITY OF CHICAGO	FP068366-01 I	26,615
93.847	3600	UNIVERSITY OF COLORADO	FY18.896.006	62,916
93.847	3600	UNIVERSITY OF COLORADO	FY18.896.006 AM01	15,826

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93.847	3600	UNIVERSITY OF HAWAII	KA1459	34,875
93.847	3600	UNIVERSITY OF HAWAII	KA1462	33,988
93.847	3600	UNIVERSITY OF MIAMI	SPC-000867 AM01	23,762
93.847	3600	UNIVERSITY OF MINNESOTA	N006254903 AM01	68,518
93.847	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5033711 AM02	-93
93.847	3600	UNIVERSITY OF PENNSYLVANIA	574238 AM06	378
93.847	3600	UNIVERSITY OF PITTSBURGH	0047227 (130849-3)	88,614
93.847	3600	UNIVERSITY OF PITTSBURGH	00472271293783AM01	1,427
93.847	3600	UNIVERSITY OF PITTSBURGH	00472271308494AM01	771,995
93.847	3600	UNIVERSITY OF PITTSBURGH	0057719 (129976-2)	10,209
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1007-00-AM	-11,283
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1042-00-AM	60,339
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1050-00-AM	3,139
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-AD	231,961
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-AD AM01	132,329
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-Z AM01	1,026,379
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-Z AM02	4,015
93.847	3600	UNIVERSITY OF SOUTH FLORIDA	6163-1051-00-Z AM03	257,470
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	GMO 161129 AM02	10,574
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	GMO 161129 AM03	54,959
93.847	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER	GMO 170915 AM02	941
93.847	3600	UNIVERSITY OF WISCONSIN MADISON	793K995	21,177
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AM03	264,604
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC42466 AMEND 2	780
93.847	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC67532	74,891
93.847	3600	VETERANS MEDICAL RESEARCH FOUNDATION	096560002-322295	6,662

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93.847	3600	WAKE FOREST UNIVERSITY	100710-118240 AM04	67,968
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 114580 AM05	184,549
93.847	3600	WAKE FOREST UNIVERSITY	WFUHS 118239 AM03	95,121
93.847	3650	PENNINGTON BIOMEDICAL RESEARCH	R01DK108765S001	133,397
93.847	3650	UNIV OF COLORADO	FY17001016	22,961
93.847	3650	UNIV OF S CA	RGF010786A	107,973
93.853	3600	*SEATTLE CHILDREN'S HOSPITAL	11360SUB AM01	32,977
93.853	3600	*SEATTLE CHILDREN'S HOSPITAL	11360SUB MOD03	47,901
93.853	3600	BETH ISRAEL DEACONESS MEDICAL CENTER	01029142 AM06	14,416
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA15008-UW AM01	25,113
93.853	3600	BUCK INSTITUTE FOR RESEARCH ON AGING	SA15008-UW AM02	72,417
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	21B-1097692 AM01	-253
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	21B-1098368	152,915
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S397592 AM01	512,293
93.853	3600	CALIFORNIA INSTITUTE OF TECHNOLOGY	S407472 AM01	123,592
93.853	3600	CHILDREN'S RESEARCH INSTITUTE	30003963-54 AM01	28,450
93.853	3600	COLUMBIA UNIVERSITY	1(GG012006-02) AM02	231,398
93.853	3600	EMORY UNIVERSITY	A146724 AM01	88,296
93.853	3600	EMORY UNIVERSITY	T234837 AM06	85,266
93.853	3600	EMORY UNIVERSITY	T662120 AM11	1,109
93.853	3600	EMORY UNIVERSITY	T928260	29,495
93.853	3600	GRAY MATTER RESEARCH, LLC	UW631451	20,558
93.853	3600	GRAY MATTER RESEARCH, LLC	UW662736	-1,598
93.853	3600	HARVARD UNIVERSITY	111178-5088518 AM03	55,091
93.853	3600	HARVARD UNIVERSITY	149420.5104939.0102	-2,026
93.853	3600	HARVARD UNIVERSITY	149420.5104939.0202	109,354
93.853	3600	HEALTH RESEARCH INC	5978-01	43,706
93.853	3600	HOUSTON METHODIST RESEARCH INSTITUTE	AGMT00000855	18,724

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93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6614-4609 AM08	7,587
93.853	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-6614-4609 AM10	7,548
93.853	3600	JOHNS HOPKINS UNIVERSITY	2003445452 MOD 1	15,496
93.853	3600	MASSACHUSETTS GENERAL HOSPITAL	232940 AM01	252,203
93.853	3600	MAYO CLINIC	WAS-224063	2,336
93.853	3600	MAYO CLINIC	WAS-224063 AM 01	1,685
93.853	3600	MAYO CLINIC	WAS-232483 AM01	864
93.853	3600	NORTHWESTERN UNIVERSITY	60043694 UW AM A02	56,346
93.853	3600	NORTHWESTERN UNIVERSITY	60043694 UW AM01	-1
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1012547_UWA	16,706
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1012547_UWA AM01	12,852
93.853	3600	OREGON HEALTH & SCIENCE UNIVERSITY	9008715_HMC AM05	3,678
93.853	3600	PET/X LLC	2017-01#A121200	40,212
93.853	3600	PRINCETON UNIVERSITY	SUB0000037 AMO4	13,498
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11480SUB MOD02	100,712
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11713SUB MOD01	7,365
93.853	3600	SEATTLE CHILDREN'S HOSPITAL	11833SUB MOD01	30,295
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW213BW21SIBCR	708
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB26A-KB2-4-SIBCR MOD2	39,624
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB26A-MCMILP-2-SIBCR	13,133
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB26B-KB2-1-SIBCR	1,820
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE154PE1-3-SIBCR	9,375
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE154PE12SIBCR	8,215
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD116HS21SIBCR	3,019
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD116TD11SIBCR	9,987
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UC1LJ16B-KV1-3-SIBCR	17,122
93.853	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	UC1LJ16BFISHB3SIBCR	53,373
93.853	3600	STANFORD UNIVERSITY	61311382-124387 AM03	8,757



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93.853	3600	STANFORD UNIVERSITY	61311385-124387 AM03	-12,442
93.853	3600	STANFORD UNIVERSITY	61311385-124387 AM05	288,092
93.853	3600	STANFORD UNIVERSITY	61855870-125439 AM01	21,369
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10284SC	2,163
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10284SC AM01	21,862
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10945SC	93,773
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11037SC	13,159
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM010	49,834
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	7891SC AM10	4,751
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9670SC AM06	375,869
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9670SC AM03	394
93.853	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9670SC AM04	1,495
93.853	3600	UNIVERSITY OF CINCINNATI	010085-135574 AM02	7,031
93.853	3600	UNIVERSITY OF CINCINNATI	010785-135574 AM01	1,092
93.853	3600	UNIVERSITY OF CINCINNATI	U01NS091951-135574 AM3	8,165
93.853	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00007467	220,521
93.853	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK10405CSPP-002	16,094
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM03	618
93.853	3600	UNIVERSITY OF MINNESOTA	N004688501 AM04	6,706
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147 AM 02	5,595
93.853	3600	UNIVERSITY OF PENNSYLVANIA	567147 AM03	27,325
93.853	3600	UNIVERSITY OF PENNSYLVANIA	572825	11,165
93.853	3600	UNIVERSITY OF PENNSYLVANIA	572976	31,892
93.853	3600	UNIVERSITY OF PITTSBURGH	00304511285553AM01	-1
93.853	3600	UNIVERSITY OF ROCHESTER	417264URFAOGR510747AM0	15,754
93.853	3600	UNIVERSITY OF TENNESSEE	18-3098 UNIVWASH	158,088
93.853	3600	UNIVERSITY OF TENNESSEE	19-3245-UWA AM01	73,264
93.853	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	0010073AAM065R01NS0875	13,564

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93.853	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	164688/164682	36,089
93.853	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	165343/163511	67,854
93.853	3650	OR HLTH SCI UNIV FED FLOW	1005874WSU	-3,000
93.853	3650	SPERAGEN INC	132657001	114,692
93.853	3650	SPERAGEN INC	R41NS107099	106,199
93.855	3600	*BRIGHAM AND WOMEN'S HOSPITAL INC	110208 MOD05	-651
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	10995SUB MOD07	157,283
93.855	3600	*SEATTLE CHILDREN'S HOSPITAL	11576SUB-MO02	-56,697
93.855	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31103A AM01	22,193
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121301S025U19AI125378	4,722
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121303S01	250,337
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121402S01-A01	174
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121403S01	136,764
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0121703S02	154,583
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	0129201S01	85,307
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY17121702 AM01	68,275
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY18ITN293	27,650
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY18ITN293 AM01	21,386
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY18ITN304	35,869
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY19ITN304	57,002
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	FY19ITN318	53,003
93.855	3600	BENAROYA RESEARCH INST AT VIRGINIA MASON	UW639523	913
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	109927MOD09UM1AI106701	131,664
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110007 AM06	36,085
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110238 AM04	10,608
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	110668 MOD06	439,472
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	111670 MOD04	102,229
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668 AM03	-35,383

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93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	112668 AM04	201,469
93.855	3600	BRIGHAM AND WOMEN'S HOSPITAL	PS#232251 MOD03	464
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES510939 AM03	474,908
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES5127395U01AI1156420	115,750
93.855	3600	CASE WESTERN RESERVE UNIVERSITY	RES513942	115,145
93.855	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-14006	10,439
93.855	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-17307	14,719
93.855	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UW-19004	24,993
93.855	3600	DUKE UNIVERSITY	2037025	4,411
93.855	3600	DUKE UNIVERSITY	2037429	23,579
93.855	3600	DUKE UNIVERSITY	2037434 (2037025)	18,896
93.855	3600	DUKE UNIVERSITY	CD-ID-MEDI4893-1139	3,619
93.855	3600	EMORY UNIVERSITY	A011120	79,573
93.855	3600	EMORY UNIVERSITY	T847388	-71,145
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM11	7,976
93.855	3600	FAMILY HEALTH INTERNATIONAL	971/0080.0173 AM13	-19
93.855	3600	FHI360	97100800173POUS00242AM	12,607
93.855	3600	FHI360	PO17001138 AM03	36,870
93.855	3600	FHI360	PO17001138 MOD07	37,198
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000887953 AM01	2
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910222	1,159
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910639	-1,969
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911466 AM01	-1,935
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911482 AM02	10,874
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000911538 AM01	8,007
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000913192 MOD02	36,258
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924578 AM01	45,476
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924579 AM01	2,996

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93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924580 AM01	153,072
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924811	51,408
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924908	59,621
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000924985	12,173
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925409 AM03	34,211
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925600 AM01	235,370
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925640 AM01	132,875
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000925917 AM02	133,752
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926261	18,065
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000926262	6,960
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927242 AM02	54,109
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927247 AM02	34,906
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927508 AM02	290,426
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927519	142,928
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927588	4,721
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929251 AM02	266,953
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929253 AM02	75,693
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929751	143,535
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000929751 AM01	349,250
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000931843	71,578
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000933143 AM02	72,287
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934004 AM02	18,356
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934017	59,803
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000934054 AM03	24,915
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000935316 MOD01	9,178
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000941137	192,770
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000941451 AM01	158,434
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000943535	2,332

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93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000944095 AM01	405,683
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000947108 AM01	126,247
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000947312 AM01	16,017
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000948051	98,404
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000949850	256,056
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000949852 AM01	242,099
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000949853	23,408
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000949854	107,248
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000950760	214,256
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000953006 AM01	1,639,471
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000953054 AM01	102,558
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000956616	47,146
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000962047	134,490
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000962048	45,903
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000963784	297,670
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000964506 AM01	291,796
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000964510 AM01	6,476
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000964732	443,632
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000965321	161,404
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000965331	319,732
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000965772	5,948
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000966404 AM01	5,452
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000966451	687,076
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000966654 AM01	3,470
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967192	53,298
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967194	277,059
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967196	123,933
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967198	184,531

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93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967202	231,945
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000967310	189,799
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000970508	39,506
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000970606	72,508
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000970632 AM01	48,343
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000970723	41,473
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000977473	40,004
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000981927	97,309
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000985119	28,942
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000985277	14,079
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000986153	216
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000988483	4,814
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	SA1901498	62,136
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	SA1901529	26,306
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW630303	74,379
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW635972	18,718
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW636977	53,159
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW636979	57,683
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW636980	9,149
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW636981	13,944
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	UW638211	94,338
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	0000900629 AM01	-2,238
93.855	3600	FRED HUTCHINSON CANCER RESEARCH CENTER (FHCRC)	UW BUD# 669493	2,335
93.855	3600	GEORGIA STATE UNIVERSITY	SP00013673-02	9,546
93.855	3600	HOSPITAL FOR SICK CHILDREN	6610100083 AM04	12,099
93.855	3600	ID GENOMICS INC	IDG_UW_02	-41,525
93.855	3600	ID GENOMICS INC	IDG_UW_02 AM02	363,714

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93.855	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2018.0004 AM01	15,305
93.855	3600	JOHNS HOPKINS UNIVERSITY	2003036376 MOD04	110,532
93.855	3600	JOHNS HOPKINS UNIVERSITY	2003036376 MOD06	478,668
93.855	3600	JOHNS HOPKINS UNIVERSITY	LDR 01 MOD 04	12,580
93.855	3600	JOHNS HOPKINS UNIVERSITY	LDR01MOD07PO2002131144	22,664
93.855	3600	KECK GRADUATE INSTITUTE	GR700507UW AM03	272
93.855	3600	KINETA INC	8538 MOD03	251
93.855	3600	LUMEN BIOSCIENCE, INC.	UW632645	95,186
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4680	3,074
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	4688	257,851
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9512 AM02	92,501
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9541 AM01	29,375
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9579 AM02	109,332
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	9607 AM01	44,019
93.855	3600	MAGEE-WOMEN'S RESEARCH INSTITUTE & FNDN	UW639399	36,378
93.855	3600	MAHIDOL UNIVERSITY	5U01AI11552004UWY4AM01	42,950
93.855	3600	MAHIDOL UNIVERSITY	UW636775	19,804
93.855	3600	MONTANA STATE UNIVERSITY	G164-18-W7010	33,412
93.855	3600	MONTANA STATE UNIVERSITY	G164-18-W7010 AM01	77,108
93.855	3600	NORTHERN CALIFORNIA INST FOR RSCH & EDUC	SUL1847-02 AM05	156,705
93.855	3600	OHIO STATE UNIVERSITY	60062752AM01PREV600627	117,511
93.855	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1013170_UWA	47,169
93.855	3600	ORLANCE INC	MOD 1	13,441
93.855	3600	ORLANCE INC	UW667769	98,137
93.855	3600	PENNSYLVANIA STATE UNIVERSITY	5636-UW-DHHS-0676 AM01	7,878
93.855	3600	PROFECTUS BIOSCIENCES INC	PO# 14-267 AM05	47,233
93.855	3600	PROFECTUS BIOSCIENCES INC	PRIME# R44AI089290	135,816
93.855	3600	PROFECTUS BIOSCIENCES INC	UW633650	119,736

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93.855	3600	RESEARCH FOUNDATION FOR STATE UNIV OF NY	R1142049 AM01	22,509
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0369	94,282
93.855	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	0884, PO 1098950	47,560
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11229SUB MOD03	11,738
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11229SUB MOD04	9,053
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11415SUB AM02	93,604
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11645SUB MOD01	415,701
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11670SUB MOD01	102,307
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11671SUB MOD01	108,298
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11917SUB MOD02	96,481
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11927SUB MOD01	76,928
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	11935SUB	5,048
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	12023SUB	15,204
93.855	3600	SEATTLE CHILDREN'S HOSPITAL	UW669493	-2,335
93.855	3600	SEATTLE CHILDREN'S RESEARCH INSTITUTE	10592SUB MOD07	284
93.855	3600	TEMPLE UNIVERSITY	261004-UWASH	16,120
93.855	3600	THERAPEUTIC SYSTEMS RESEARCH LABS	A119810 AM01	480,670
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000421524-002 AM06	-1
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006 AM03	121,878
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000510836-006 AM04	759,183
93.855	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	UW662172	45,194
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201223949-01 AM05	1,318
93.855	3600	UNIVERSITY OF CALIFORNIA DAVIS	201303042-08 AM02	108,645
93.855	3600	UNIVERSITY OF CALIFORNIA IRVINE	2017-3539 AM02	71,013
93.855	3600	UNIVERSITY OF CALIFORNIA IRVINE	2018-3594 AM01	159,145
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1559 G TA522 AM07	135,814
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1560 G WA590	62,356
93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1560 G WB672	18,587



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93.855	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1650 G WA395 AM01	169,369
93.855	3600	UNIVERSITY OF CALIFORNIA RIVERSIDE	S-001012 AM01	33,926
93.855	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	73440803 AM003	26,885
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10019SCAM025R01AI09847	8,632
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10182SC AM03	5,723
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10182SC AMEND 2	22,744
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10951SC	56,785
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11003SC	11,963
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11313SC	10,756
93.855	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9506SC AM02	14,120
93.855	3600	UNIVERSITY OF CALIFORNIA, LOS ANGELES (UCLA)	1560 B WA953	110,923
93.855	3600	UNIVERSITY OF COLORADO	FY19349003PROJECT25A78	2,622
93.855	3600	UNIVERSITY OF IDAHO	CB2558-SB-897826	57,739
93.855	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP2018036 AM01	196,984
93.855	3600	UNIVERSITY OF MASSACHUSETTS WORCESTER	OSP20180361P01AI132130	28,432
93.855	3600	UNIVERSITY OF MIAMI	SPC-000844	263,550
93.855	3600	UNIVERSITY OF MIAMI	SPC-000844 AM01	35,365
93.855	3600	UNIVERSITY OF MIAMI	SPC-000983	11,520
93.855	3600	UNIVERSITY OF MINNESOTA	P006941201 AM01	4,446
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5108671 (U19AI100625)	52,121
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109907 AM01	174,997
93.855	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5111674	294,133
93.855	3600	UNIVERSITY OF NOTRE DAME	203504UW	72,150
93.855	3600	UNIVERSITY OF PENNSYLVANIA	569316 AM04	438,215
93.855	3600	UNIVERSITY OF PENNSYLVANIA	571209 AM02	12,004
93.855	3600	UNIVERSITY OF PITTSBURGH	0060130 (131574-2)	19,047
93.855	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	GMO 130301 AM05	-22,807

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93.855	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	GMO 180806	265,797
93.855	3600	UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL	UW639259	20,945
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	762K3115UM1AII1427104A	18,985
93.855	3600	UNIVERSITY OF WISCONSIN MADISON	839K311	151,105
93.855	3600	WEILL MEDICAL COLLEGE OF CORNELL UNIV	180194-2	71,827
93.855	3650	IN UNIV FED FLOW	IN4688954WSU	112,380
93.855	3650	UNIV OF LOUISVILLE	ULRF17102401	9,783
93.855	3650	UNIV OF MN FED FLOW	H004942302	133,293
93.855	3650	UNIV OF NC CHAPEL HILL	5106846	193,471
93.859	3600	BELBROOK LABS LLC	R44GM123833 AM02	97,528
93.859	3600	CHILDREN'S HOSPITAL & RSCH CTR OAKLAND	12_8036_UWASH_03 AM02	171,497
93.859	3600	CHILDREN'S HOSPITAL & RSCH CTR OAKLAND	8036_UWASH_04	42,741
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000910275	-30,911
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918045 AM02	-15,067
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000927366	8,295
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000948942	118,412
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000953698	101,189
93.859	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000969248	5,883
93.859	3600	INSTITUTE FOR SYSTEMS BIOLOGY	2015.0001 AM05	56,326
93.859	3600	JOHNS HOPKINS UNIVERSITY	2002735434 AM05	31,191
93.859	3600	MATCHSTICK TECHNOLOGIES INC	A127786 AM01	158,509
93.859	3600	PRINCETON UNIVERSITY	SUB0000256	74,400
93.859	3600	RESEARCH FOUNDATION FOR STATE UNIV OF NY	R960652 AM04	80,015
93.859	3600	SOUTHCENTRAL FOUNDATION	2017-254	7,358
93.859	3600	SOUTHCENTRAL FOUNDATION	2018-279	85,237
93.859	3600	SOUTHCENTRAL FOUNDATION	2018-303	25,430
93.859	3600	UNIVERSITY OF CALIFORNIA DAVIS	201703197-04 AM03	208,846

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93.859	3600	UNIVERSITY OF CALIFORNIA DAVIS	20170319705A170013S001	339,915
93.859	3600	UNIVERSITY OF CALIFORNIA IRVINE	2016-3369 AM02	53,649
93.859	3600	UNIVERSITY OF COLORADO	FY19.841.001	12,242
93.859	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5107298 AM03	87,862
93.859	3600	UNIVERSITY OF UTAH	10044932-08 AM01	10,403
93.859	3600	UNIVERSITY OF UTAH	10044932-08 AM02	189,293
93.859	3600	UNIVERSITY OF WYOMING	1003716 - WASHINGTON	1,179
93.859	3600	VANDERBILT UNIVERSITY	UNIV60752	43,868
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495 AM02	676
93.859	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC 55495 AM03	42,882
93.859	3600	WEST VIRGINIA UNIVERSITY	13-606-UW AM01	38,795
93.859	3650	RUSH UNIVERSITY	13081302_WASH	2,534
93.859	3650	TEMPLE UNIVERSITY	257109WSU	189,157
93.859	3650	UNIV OF CO DENVER	FY15652002	64,738
93.859	3650	UNIV OF S CA	54076616	836
93.859	3650	WASHINGTON UNIV IN ST LOUIS	WU17182	149,397
93.859	3800	University Of San Diego	160086-U2017-004	43,135
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	10988SUB MOD04	18,754
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	11312SUB MOD04	96,123
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	11614SUB MOD01	96,061
93.865	3600	*SEATTLE CHILDREN'S HOSPITAL	11614SUB MOD02	9,597
93.865	3600	*UNIVERSITY OF CALIFORNIA DAVIS	201224693-05 AM02	24,656
93.865	3600	*UNIVERSITY OF CALIFORNIA SAN FRANCISCO	8703SC AMENDMENT 3	2,600
93.865	3600	*UNIVERSITY OF MICHIGAN ANN ARBOR	3004910137 AM01	43,022
93.865	3600	BAYLOR COLLEGE OF MEDICINE	7000000288 AM02	218,211
93.865	3600	BILICAM LLC	0907780101 AM02	59,788
93.865	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	ACTIVITY3200660619PO20	28,862
93.865	3600	CHILDREN'S HOSPITAL OF PHILADELPHIA	ACTIVITY3200660619PO96	-211

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93.865	3600	FHI360	102469.001.001 AM01	13,670
93.865	3600	FHI360	102492.001.001	3,462
93.865	3600	FLORIDA STATE UNIVERSITY	R02041	10,363
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000918229	9,310
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000966758	349,144
93.865	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000976961	1,850
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1718-JB13	55,941
93.865	3600	GEORGE WASHINGTON UNIVERSITY	S-MFM1819-JB13	25,948
93.865	3600	HARVARD UNIVERSITY	114205-1387-5107643	1,233
93.865	3600	HARVARD UNIVERSITY	11420514875107634AM01	12,603
93.865	3600	HEALTH RESEARCH INC	288-01 AM01	24,439
93.865	3600	JOHNS HOPKINS UNIVERSITY	2004031129	57,139
93.865	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG209694-BUDG01-UW-00	62,176
93.865	3600	KAISER PERMANENTE	RNG200508-2-UW AM03	19,038
93.865	3600	LOS ANGELES BIOMEDICAL INST AT HARBOR	UW31227-01	7,165
93.865	3600	LOUISIANA STATE UNIVERSITY	AH-19-105-006	7,183
93.865	3600	MAYO CLINIC	UNI20120801PO66645877	3,594
93.865	3600	MAYO CLINIC	UNI201208PO66129413	52,307
93.865	3600	NORTHWESTERN UNIVERSITY	60047828 UW	20,696
93.865	3600	NORTHWESTERN UNIVERSITY	60047828 UW AM01	46,800
93.865	3600	NORTHWESTERN UNIVERSITY	UW639231	55,133
93.865	3600	OHIO STATE UNIVERSITY	60060209 AM02	31,568
93.865	3600	OHIO WILLOW WOOD COMPANY	1R41HD09347601AM01PRIM	7,030
93.865	3600	SEATTLE CHILDREN'S HOSPITAL	10893SUB MOD05	11,497
93.865	3600	SEATTLE CHILDREN'S HOSPITAL	11655SUB	221
93.865	3600	SEATTLE CHILDREN'S HOSPITAL	12029SUB	27,406
93.865	3600	TULANE UNIVERSITY	TUL-HSC-557116-18/19	17,706
93.865	3600	UNIV OF ARKANSAS FOR MEDICAL SCIENCES	51460	18,357

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93.865	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000512823-004 A02	53,033
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G RA131 AM05	28,874
93.865	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1920 G UA066 AM03	38,785
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003294837 AM05	106,531
93.865	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	3003879380 AM03	11,672
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109092	178,675
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5109092 AM01	218,935
93.865	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5112526	13,308
93.865	3600	UNIVERSITY OF PITTSBURGH	004886012687312AM01	25,783
93.865	3600	UNIVERSITY OF PITTSBURGH	0051592 (128416-3)AM02	5,231
93.865	3600	UNIVERSITY OF TEXAS MEDICAL BRANCH	18-84415	13,740
93.865	3600	UNIVERSITY OF WISCONSIN MADISON	773K253 AM02	94,743
93.865	3600	WASHINGTON UNIVERSITY IN ST LOUIS	WU-19-329	21,346
93.865	3650	UNIV OF NE FED	3453212003506	87,018
93.865	3650	UNIV OF WISCONSIN-MADISON	660K155	13,948
93.866	3600	ABIOMED, INC.	UW636839	38,836
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31086C AM03	63,006
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31131C AM02	425,403
93.866	3600	ALBERT EINSTEIN COLLEGE OF MEDICINE	31594G AM04 (PO645932)	-41
93.866	3600	BOSTON UNIVERSITY	4500002537 AM001	153,647
93.866	3600	BOSTON UNIVERSITY	4500003041	1,814
93.866	3600	BRIGHAM AND WOMEN'S HOSPITAL	115640 AM03	32,174
93.866	3600	BROWN UNIVERSITY	00000844 AM03	198,884
93.866	3600	DREXEL UNIVERSITY	800080 AM03	22,722
93.866	3600	DREXEL UNIVERSITY	800180 AM03	5,254
93.866	3600	DUKE UNIVERSITY	203-5796 AM01	-403
93.866	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000940848	146,092
93.866	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000981488	9,232

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93.866	3600	HARVARD UNIVERSITY	116546-5097910 AM02	20,793
93.866	3600	ICAHN SCHOOL OF MEDICINE AT MOUNT SINAI	0255-B851-4609	7,742
93.866	3600	JACKSON LABORATORY	210275 AM01	188,152
93.866	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002694-BUDG10-UW-00	1,041,314
93.866	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002694BUDG10UW00AM0	181,589
93.866	3600	KAISER FOUNDATION RESEARCH INSTITUTE	RNG209925-BUDG01-UW-00	1,186
93.866	3600	NORTHERN CALIFORNIA INST FOR RSCH & EDUC	SHL2120-04	36,388
93.866	3600	NORTHERN CALIFORNIA INST FOR RSCH & EDUC	SHL2120-04 AM01	5,512
93.866	3600	NORTHWESTERN UNIVERSITY	60048330 UW AM A01	13,022
93.866	3600	NORTHWESTERN UNIVERSITY	60048331 UW AM A01	8,085
93.866	3600	NORTHWESTERN UNIVERSITY	60048332 UW AM A01	149,367
93.866	3600	SAINT LOUIS UNIVERSITY	ERS# 42597	13,448
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW218BW21SIBCR MOD01	2,832
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW218BW22SIBCR	354
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW29BW25SIBCR	25,392
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW29BW26SIBCR	4,323
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	BW29NIRUA1SIBCR MOD01	58,754
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB211-KB2-2-SIBCR MOD1	30,523
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB211-KB2-3-SIBCR	10,921
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB211-MCMILP-1-SIBCR	13,133
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE155PE13SIBCR	20,944
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE155PE14SIBCR	7,534
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE155REINR3SIBCR	32,644
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE155RM138IBCR	48,188
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE155RM14SIBCR	28,031
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	PE158PE11SIBCR	5,001
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD112-AELMORS1SIBCR	22,042
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD112ATD11SIBCR	12,090

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93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD120SC-TM21SIBCR	16,973
93.866	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	TD120TD11SIBCR	17,535
93.866	3600	SEATTLE-KING COUNTY DEPARTMENT OF PUBLIC HEALTH	UW638452	12,224
93.866	3600	STANFORD UNIVERSITY	61314414-124531 AM02	48,957
93.866	3600	STANFORD UNIVERSITY	61314414-124531 AM04	470,805
93.866	3600	STANFORD UNIVERSITY	61627910-128473 AM01	83,012
93.866	3600	SUTTER BAY HOSPITALS	280201015-S221	122,659
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G TA326 AM005	47,440
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G WA112 AM01	11,353
93.866	3600	UNIVERSITY OF CALIFORNIA LOS ANGELES	1558 G WA254	5,876
93.866	3600	UNIVERSITY OF CALIFORNIA SAN DIEGO	103893218 AM01	4,288
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	10841SC AM01	13,425
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	11075SC	14,297
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9499SC AM01	-76
93.866	3600	UNIVERSITY OF CALIFORNIA SAN FRANCISCO	9499SC AM02	9,265
93.866	3600	UNIVERSITY OF CALIFORNIA, SAN DIEGO (UCSD)	87749088 AM001	-2,269
93.866	3600	UNIVERSITY OF COLORADO	FY19875002PO1001169488	5,262
93.866	3600	UNIVERSITY OF MELBOURNE	UW638190	5,398
93.866	3600	UNIVERSITY OF MIAMI	SPC-000277 AM02	203,256
93.866	3600	UNIVERSITY OF MICHIGAN ANN ARBOR	SUBK00009932PO30052399	93,880
93.866	3600	UNIVERSITY OF PENNSYLVANIA	573045 AM01	57,554
93.866	3600	UNIVERSITY OF PENNSYLVANIA	573992 AM05	45,455
93.866	3600	UNIVERSITY OF PENNSYLVANIA	573992, AM04	11,004
93.866	3600	UNIVERSITY OF PENNSYLVANIA	574060 AM02	338,803
93.866	3600	UNIVERSITY OF PENNSYLVANIA	574060 AM03	12,454
93.866	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	109309268	76,657
93.866	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	97832536	14,072

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93.866	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	163900/163897 AM01	44,014
93.866	3600	UNIVERSITY OF TEXAS HEALTH SCIENCE	164388/164378	74,120
93.866	3600	UNIVERSITY OF UTAH	10041896 AM01	49,826
93.866	3600	UNIVERSITY OF VERMONT	30340SUB52029UOFWASHAM	110,816
93.866	3600	VANDERBILT UNIVERSITY MEDICAL CENTER	VUMC68180	79,629
93.866	3600	WAKE FOREST UNIVERSITY	101720112971 AM03	30,462
93.866	3600	WAKE FOREST UNIVERSITY	WUHS 115048 AM05	34,804
93.866	3600	WAKE FOREST UNIVERSITY	WUHS 441339 AM 2	16,363
93.866	3600	WAKE FOREST UNIVERSITY	WUHS 551083	239,153
93.866	3650	UNIV OF COLORADO	FY16001015	71,337
93.866	3650	UNIV OF NM	765335874P	69,191
93.866	3650	UNIV OF NM	765361874P	89,219
93.867	3600	DUKE UNIVERSITY	A030090	77,500
93.867	3600	JAEB CENTER FOR HEALTH RESEARCH, INC. (JCHR)	PROTOCOL #U SITE 47	-416
93.867	3600	MEDICAL COLLEGE OF WISCONSIN	FP4494_REN02	7,307
93.867	3600	MEDICAL COLLEGE OF WISCONSIN	UW636061	26,520
93.867	3600	MEDICAL COLLEGE OF WISCONSIN	UW638258	24,364
93.867	3600	STANFORD UNIVERSITY	62015716-136077	260,508
93.867	3600	STANFORD UNIVERSITY	62066366-133041	153,232
93.867	3600	UNIVERSITY OF CALIFORNIA BERKELEY	00009470 AM01	9,098
93.867	3600	UNIVERSITY OF MINNESOTA	N006342901	178,083
93.867	3600	UNIVERSITY OF MINNESOTA	N006342901 AM01	16,701
93.867	3650	JOHNS HOPKINS UNIV	2003370134	110,521
93.867	3650	OR HLTH SCI UNIV FED FLOW	1014154WSU	48,249
93.879	3600	KAISER FOUNDATION HEALTH PLAN OF WA	2017143574 AM01	6,044
93.879	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG003046-BUDG02-UW-00	7,002
93.879	3600	UNIVERSITY OF ARIZONA	298692 AM04	6,462



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93.933	3600	SOUTHCENTRAL FOUNDATION	2017-004	16,939
93.933	3600	SOUTHCENTRAL FOUNDATION	2018-219	6,766
93.933	3600	SOUTHCENTRAL FOUNDATION	2018-289 AM01	20,648
93.933	3650	SOUTHCENTRAL FOUNDATION	2017127	14,454
93.945	3600	SEATTLE CHILDREN'S HOSPITAL	11750SUB	2,605
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114528 AMEND 2	13,149
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS 114529 AM04	49,029
93.945	3600	WAKE FOREST UNIVERSITY	WFUHS116058U18DP006131	6,753
93.958	3760	HEALTH CARE AUTHORITY	1565-52693	95,285
93.958	6990	Spokane County	19BHO2100	72,464
93.959	3600	MONTANA DEPARTMENT OF PUBLIC HEALTH	18-332-74516-0	37,688
93.959	3600	UTAH DEPARTMENT OF HUMAN SERVICES	196354	50,047
93.977	3600	MISSISSIPPI DEPARTMENT OF HEALTH	SG-652	24,367
93.977	3600	MISSISSIPPI DEPARTMENT OF HEALTH	SG-827 MOD02	15,175
93.989	3600	KWAME NKRUMAH UNIVERSITY OF SCI & TECH	A110910819CHS0502AM01	9,172
93.989	3600	KWAME NKRUMAH UNIVERSITY OF SCI & TECH	A110910819CHS0502AM02	55,144
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDIA	A116705 AM03	9,187
93.989	3600	UNIVERSIDAD PERUANA CAYETANO HEREDIA	A139245	64,979
93.989	3600	UNIVERSITY OF NAIROBI	UON-UW 1R25TW011212-01	2,772
93.989	3600	UNIVERSITY OF NAIROBI	UON-UW5D43TW010141-03	10,833
93.989	3600	UNIVERSITY OF NAIROBI	UON-UW5D43TW010141-04	206,833
93.RD	3600	*UNIVERSITY OF PITTSBURGH	0049347-1 AM 002	55,294
93.RD	3600	ABT ASSOCIATES INC	47508	33,618
93.RD	3600	ABT ASSOCIATES INC	49860	45,878
93.RD	3600	ADVANCED BIOSCIENCE LABORATORIES INC	14011000070000MOD01	538,349
93.RD	3600	AMERICAN PSYCHIATRIC ASSOCIATION	UW631106	3,481
93.RD	3600	BEAT BIOTHERAPEUTICS CORP	UW632909	-9,038
93.RD	3600	BIOQUAL INC	HHSN27200013 MOD01	736,651

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93.RD	3600	BIOQUAL INC	UW634435	654,161
93.RD	3600	BIOQUAL INC	UW636179	53,321
93.RD	3600	BLOODWORKS NORTHWEST	865-UW-2017	12,676
93.RD	3600	BRIGHAM AND WOMEN'S HOSPITAL	114959	891
93.RD	3600	CAI GLOBAL	6 TP1AH000106-03-01	159
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWCRYO-13600	-17,044
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWIPD-13600	28,393
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWNMR-13600	52,515
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13600	219,208
93.RD	3600	CENTER FOR INFECTIOUS DISEASE RESEARCH	UWPPG-13601	65,261
93.RD	3600	CHOCTAW NATION OF OKLAHOMA	UW638536	7,169
93.RD	3600	CICATELLI ASSOCIATES INC	5 TP1AH000106-02-00	-6
93.RD	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT NO.3	189,541
93.RD	3600	COMPUTERCRAFT CORPORATION	SUBCONTRACT NO.3 MOD01	390,345
93.RD	3600	CROSSLIFE TECHNOLOGIES INC	A134573	65,304
93.RD	3600	DARTMOUTH COLLEGE	UW668448	-911
93.RD	3600	DARTNET INSTITUTE	PO111110200201587699	2,793
93.RD	3600	DUKE UNIVERSITY	7271OPPORTUNITY1TO51	3,045
93.RD	3600	EMMES CORPORATION	MOD09	3,360
93.RD	3600	FLORIDA STATE UNIVERSITY (FSU)	UW667235	-10,969
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655 AM 2	10,982
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000865655 AM03	4,177
93.RD	3600	FRED HUTCHINSON CANCER RESEARCH CENTER	0000908589 AM02	13,418
93.RD	3600	HEALTH RESEARCH & EDUCATIONAL TRUST	80781 AM01	6,926
93.RD	3600	JOHNS HOPKINS UNIVERSITY	P1090 PO#2002565212	6,365
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	RNG002833BUDG03SUBUWMO	18,716
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	TO1PO2017135605MOD07	14,207
93.RD	3600	KAISER FOUNDATION HEALTH PLAN OF WA	TO1PO2017135608MOD07	92,327

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93.RD	3600	KAISER FOUNDATION RESEARCH INSTITUTE	RNG209676-BUDG01-UW-00	63,527
93.RD	3600	KINETA INC	4594 MOD02	-818
93.RD	3600	KING COUNTY	3732 CHS	13,844
93.RD	3600	KITWARE INC	K002342-00-S02	14,720
93.RD	3600	LEIDOS BIOMEDICAL RESEARCH INC	P9825 / P9881 AM02	24,171
93.RD	3600	MASSACHUSETTS GENERAL HOSPITAL	220778 MOD06	27
93.RD	3600	MISSOURI BREAKS INDUSTRIES INC	SHS-TA1001UW	7,709
93.RD	3600	NATIONAL COUNCIL FOR BEHAVIORAL HEALTH	2500.9026 A3	10,556
93.RD	3600	NORTHROP GRUMMAN CORPORTATION	7500160942 CN01	28,449
93.RD	3600	NORTHWESTERN UNIVERSITY	SP003377960044358UWASH	9,929
93.RD	3600	NORTHWESTERN UNIVERSITY	SP003377960047201UWASH	1,231
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM04	-3,427
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM06	175,160
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1004354_UWA AM08	104,911
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1009898_UWA	12,919
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1015219_UWA	38,903
93.RD	3600	OREGON HEALTH & SCIENCE UNIVERSITY	1015223_UWA	22,936
93.RD	3600	OREGON SOCIAL LEARNING CENTER INC	UW637284	13,163
93.RD	3600	QUALITY BIOLOGICAL, INC.	TO # TOASNHP033	-68
93.RD	3600	RUTGERS THE STATE UNIV OF NEW JERSEY	UW639250	7,170
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11867SUB AM01	91,848
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11868SUB AM01	35,008
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11869SUB AM02	56,994
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11870SUB AM02	85,844
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11871SUB AM02	490,880
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11872SUB AM02	83,885
93.RD	3600	SEATTLE CHILDREN'S HOSPITAL	11873SUB AM02	16,587
93.RD	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	HR15-APLINA-2-SIBCR	20,429

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93.RD	3600	SEATTLE INST FOR BIOMED & CLINICAL RSCH	KB211-WALDHS1-2-SIBCR	5,392
93.RD	3600	SHEEHAN MEDICAL DEVICE CORPORATION	AM03	2,137
93.RD	3600	SHEEHAN MEDICAL DEVICE CORPORATION	UW633450	3
93.RD	3600	SIDX INC	UW634164	11,829
93.RD	3600	SOCIAL & SCIENTIFIC SYSTEMS INC	CRBSSSS17005101MOD02	87,618
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T015-004	42,863
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918-T016-009	-3,034
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T011005AM02	25,522
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T013011AM01	5,685
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T013011AM02	4,052
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T015003AM01	135,380
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000500918T015004AM01	8,311
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000501394-005 AM4	-166
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388-T008-001	223,169
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388-T011-001	73,724
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388T004001AM02	286,544
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000509388T006001AM01	312,067
93.RD	3600	UNIVERSITY OF ALABAMA AT BIRMINGHAM	UW632088	30,498
93.RD	3600	UNIVERSITY OF CHICAGO	UW664813	18,375
93.RD	3600	UNIVERSITY OF COLORADO	PO 1000757594	9,367
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1325 AM03	30,068
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1326 AM02	12,305
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1327 AM02	4,446
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258A-1658 AM04	37,044
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258C	72,092
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258C AM TO03	148,103
93.RD	3600	UNIVERSITY OF MARYLAND BALTIMORE	1600258C AM TASK ORDER9	16,210
93.RD	3600	UNIVERSITY OF MICHIGAN, ANN ARBOR	UW638905	30,893

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93.RD	3600	UNIVERSITY OF MISSISSIPPI MEDICAL CENTER	66111350819-12	11,288
93.RD	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM03	-497
93.RD	3600	UNIVERSITY OF PITTSBURGH	0024031-6 AM06	159
93.RD	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	76887872 AM03	16,169
93.RD	3600	UNIVERSITY OF UTAH	10042359-02 AM03	67,928
93.RD	3600	UNIVERSITY OF UTAH	10042359-02 AM04	173,794
93.RD	3600	UNIVERSITY OF WISCONSIN MADISON	686K836 AM03	267,043
93.RD	3600	UNIVERSITY OF WISCONSIN MADISON	811K731	38,513
93.RD	3600	UNIVERSITY OF WISCONSIN, MADISON	686K862 AM03	110,622
93.RD	3600	VERAVANTI INC	UW660451	1
93.RD	3600	WASHINGTON UNIVERSITY SCHOOL OF MEDICINE	UW639129	1,542
93.RD	3600	WESTAT INC	PROJECT602005TO5MOD2	11,872
93.RD	3600	WESTAT INC	TO02PROJ602002MOD04	8,455
93.U01	3650	UNIV OF S CA	110847313	23,005
93.U02	3650	SEATTLE CHILDREN'S RESEARCH	11891SUB	47,595
93.U03	3650	CATHOLIC CHARITIES SPOKANE	132359001	104,953
93.U04	3650	NW RURAL HEALTH NETWORK	136558	25,751
93.U05	3650	DUKE UNIV	2037093	49,181
93.U06	3650	UNIV OF CA DAVIS	A190461S002	29,234
93.U07	3650	NEW YORK UNIV	F856801	57,691
93.U09	3650	RINGFUL HEALTH LLC	WSU003495	67,666
93.U10	3650	RINGFUL HEALTH LLC	WSU003704	18,322
94.006	3600	JUMPSTART FOR YOUNG CHILDREN INC	480200	160,021
94.019	3600	JOHN A. HARTFORD FOUNDATION	2015-0077	116,671
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9001600053	12,680
95.001	3600	EDUCATIONAL SERVICE DISTRICT 105	9001700071	29,832
96.007	3600	MATHEMATICA POLICY RESEARCH INC	40112S05299 AM03	97,718
97.039	3760	MILITARY DEPT	D17 002	301,756

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note F: Supplemental Information for Pass-Through Funds**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>State Agency No.</b>	<b>Pass-Through Entity Name</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0484663 AM05	-801
97.061	3600	UNIVERSITY OF ALASKA ANCHORAGE	P0484663 AM07	75,693
97.067	2250	Clallum County Sheriffs Office	K12612-SG87	4,539
97.067	4770	San Juan County	18SH.010	8,305
97.067	4770	Stevens County	Agreement	9,166
97.067	4770	Whatcom County	201706017	12,082
97.067	4770	Whatcom County	201810011	3,163
97.091	3030	CITY OF SEATTLE FIRE DEPARTMENT	0546193199	523,312
97.RD	3600	DEGENKOLB ENGINEERS	B7616026.00	30,014
97.RD	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	91804998 AM01	1,963
97.RD	3600	UNIVERSITY OF SOUTHERN CALIFORNIA	91804998 AM03	25,117
98.001	3600	CONTRACEPTIVE RESEARCH AND DEV (CONRAD)	MAPS2-18-084 AM01	211,131
98.001	3600	FHI360	102137001004003004AM02	1,412,855
98.001	3600	FHI360	102462001002001PO19000	640,273
98.001	3600	PATH	AID191301618043CRTAM01	7,867
98.001	3600	UNIVERSITY OF NORTH CAROLINA CHAPEL HILL	5113403	5,173
98.001	3600	UNIVERSITY OF PITTSBURGH	00449784111052AM07	29,718
98.001	3600	UNIVERSITY OF PITTSBURGH	00449784111052AM08	87,766
98.001	3650	VIRGINIA POLYTECHNIC INST	45136419276	9,127
98.012	3650	MI ST UNIV	RC102095BHEARDKENYA	23,532
98.RD	3650	MI ST UNIV	RC102095B1005	19,917
98.RD	3650	UNIV OF CA DAVIS	20140022312	41,157
99.RD	3600	ECS FEDERAL LLC	1740060301MOD03PO19000	101,931
99.RD	3600	RD MINGO AND ASSOCIATES	UW668804	72,594
99.RD	3650	MI ST UNIV	RC102095BHEARDBANG	65,869
<b>Total Pass-Through Funds</b>				<b>185,102,802</b>

**State of Washington**  
**Schedule of Expenditure of Federal Awards**  
**Note G: Supplemental Information**  
**for Pass-Through Federal Assistance**  
**(State as Subrecipient not included on the Schedule)**

*For the Year Ended*  
*June 30, 2019*  
*(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>State Agency Number</b>	<b>Federal Program Title</b>	<b>Award/Contract Control Number</b>	<b>Expenditure Amount</b>
17.258	540	Olympic Consortium WDC-1	7318 7328 7338 7377 7378	511,496
17.258	540	South Coastal WDC-2	5107	50,348
17.258	540	SnohomishCounty WDC-4	6668 6678 6698	356,257
17.258	540	Southwest WDC-7	6207 6208 6217 6218	112,683
17.258	540	North Central WA WDC-8	7707 7797 7867	211,820
17.258	540	Spokane Area WDC-12	7818 7837	367,396
<b>Federal Program 17.258 Total</b>				<b>1,610,000</b>
17.259	540	North Central WA WDC-8	7717 7757 7777 7787	179,362
<b>Federal Program 17.259 Total</b>				<b>179,362</b>
17.277	540	Spokane Area WDC-12	7887	75,493
<b>Federal Program 17.277 Total</b>				<b>75,493</b>
17.278	540	Olympic Consortium WDC-1	7348 7358 7368 7377 7378	612,085
17.278	540	SnohomishCounty WDC-4	6668 6698 6687 6688 6718 6787	1,037,104
17.278	540	KingCounty WDC-5	3178	13,770
17.278	540	Southwest WDC-7	6228 6229 6238 6239	114,119
17.278	540	North Central WA WDC-8	7698 7747 7766 7767 7867	126,963
17.278	540	Eastern WA Partnership WDC-10	2928 2929 2938 2939 2957	535,246
17.278	540	Spokane Area WDC-12	3626 7808 7938	423,644
<b>Federal Program 17.278 Total</b>				<b>2,862,932</b>
17.280	540	SnohomishCounty WDC-4	6728	57,333
<b>Federal Program 17.278 Total</b>				<b>57,333</b>

**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note H: Supplemental Information - Outstanding Loan Balances**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Ending Loan Balances as of June 30</b>
<b><u>University of Washington (Agency 3600)</u></b>		
84.038	Federal Perkins Loan Program	(5,994,127)
84.038	Federal Perkins Loan Program	40,415,375
	<b>Subtotal 84.038</b>	<b>34,421,248</b>
93.264	Nurse Faculty Loan Program	(181,520)
93.264	Nurse Faculty Loan Program	1,064,282
	<b>Subtotal 93.264</b>	<b>882,762</b>
93.342	Health Professions Student Loans, Including Primar	2,446,549
93.342	Health Professions Student Loans, Including Primar	11,567,959
	<b>Subtotal 93.342</b>	<b>14,014,508</b>
93.364	Nursing Student Loans	357,519
93.364	Nursing Student Loans	2,542,690
	<b>Subtotal 93.364</b>	<b>2,900,209</b>
93.408	ARRA - Nurse Faculty Loan Program	(26,624)
93.408	ARRA - Nurse Faculty Loan Program	76,784
	<b>Subtotal 93.408</b>	<b>50,160</b>
	<b>University of Washington Total</b>	<b>52,268,887</b>



**State of Washington**  
**Schedule of Expenditures of Federal Awards**  
**Note H: Supplemental Information - Outstanding Loan Balances**

*For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)*

<b>Federal Catalog No.</b>	<b>Federal Program Title</b>	<b>Ending Loan Balances as of June 30</b>
<b><u>Washington State University (Agency 3650)</u></b>		
84.038	Federal Perkins Loan Program	(2,340)
84.038	Federal Perkins Loan Program	17,913,366
	<b>Subtotal 84.038</b>	<b>17,911,026</b>
93.264	Nurse Faculty Loan Program	459,865
93.264	Nurse Faculty Loan Program	1,612,063
	<b>Subtotal 93.264</b>	<b>2,071,928</b>
93.342	Health Professions Student Loans, Including Primar	965,403
93.342	Health Professions Student Loans, Including Primar	2,009,634
	<b>Subtotal 93.342</b>	<b>2,975,037</b>
93.364	Nursing Student Loans	118,500
93.364	Nursing Student Loans	579,598
	<b>Subtotal 93.364</b>	<b>698,098</b>
	<b>Washington State University Total</b>	<b>23,656,089</b>
<b><u>Eastern Washington University (Agency 3700)</u></b>		
84.038	Federal Perkins Loan Program	(912,365)
84.038	Federal Perkins Loan Program	4,689,942
	<b>Subtotal 84.038</b>	<b>3,777,577</b>
	<b>Eastern Washington University Total</b>	<b>3,777,577</b>
<b><u>Central Washington University (Agency 3750)</u></b>		
84.038	Federal Perkins Loan Program	(861,667)
84.038	Federal Perkins Loan Program	3,820,520
	<b>Subtotal 84.038</b>	<b>2,958,853</b>
	<b>Central Washington University Total</b>	<b>2,958,853</b>
<b><u>The Evergreen State College (Agency 3760)</u></b>		
84.038	Federal Perkins Loan Program	(585,615)
84.038	Federal Perkins Loan Program	2,804,643
	<b>Subtotal 84.038</b>	<b>2,219,028</b>
	<b>The Evergreen State College Total</b>	<b>2,219,028</b>

State of Washington  
Schedule of Expenditures of Federal Awards  
Note H: Supplemental Information - Outstanding Loan Balances

For the Fiscal Year Ended  
June 30, 2019  
(Expressed in whole dollars)

Federal Catalog No.	Federal Program Title	Ending Loan Balances as of June 30
<b><u>Western Washington University (Agency 3800)</u></b>		
84.038	Federal Perkins Loan Program	(1,375,182)
84.038	Federal Perkins Loan Program	8,591,531
	Subtotal 84.038	7,216,349
	Western Washington University Total	7,216,349
<b><u>Community/Technical College System (Agency 6990)</u></b>		
84.038	Federal Perkins Loan Program	(184,587)
84.038	Federal Perkins Loan Program	1,028,875
	Subtotal 84.038	844,288
	Community/Technical College System Total	844,288
Total Loan Balances		92,941,071



STATE OF WASHINGTON  
**OFFICE OF FINANCIAL MANAGEMENT**

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

March 24, 2020

Washington State Auditor's Office  
ATTN: Jim Brownell, Audit Manager  
3200 Sunset Way S.E.  
Olympia, WA 98504-0031

To the Washington State Auditor's Office:

Enclosed with this letter is the state of Washington's corrective action plan for the following audit findings in the fiscal year 2019 single audit report.

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Plans Page Number</b>	<b>Schedule of Findings Page Number</b>
2019-001	State of Washington	G - 9	E - 17
2019-002	Department of Social and Health Services	G - 11	E - 21
2019-003	The Office of Superintendent of Public Instruction	G - 12	E - 26
2019-004	The Office of Superintendent of Public Instruction	G - 13	E - 30
2019-005	The Office of Superintendent of Public Instruction	G - 14	E - 34
2019-006	Department of Health	G - 15	E - 38
2019-007	Department of Health	G - 16	E - 44
2019-008	Department of Social and Health Services	G - 17	E - 49
2019-009	Department of Social and Health Services	G - 18	E - 56
2019-010	Department of Commerce	G - 19	E - 63

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Plans Page Number</b>	<b>Schedule of Findings Page Number</b>
2019-011	Department of Commerce	G - 20	E - 69
2019-012	Employment Security Department	G - 22	E - 74
2019-013	Employment Security Department	G - 24	E - 80
2019-014	Department of Transportation	G - 25	E - 85
2019-015	Department of Transportation	G - 26	E - 90
2019-016	Department of Transportation	G - 27	E - 97
2019-017	Department of Transportation	G - 28	E - 102
2019-018	Department of Transportation	G - 29	E - 109
2019-019	Department of Transportation	G - 31	E - 118
2019-020	Department of Transportation	G - 32	E - 126
2019-021	Department of Transportation	G - 33	E - 131
2019-022	Department of Transportation	G - 34	E - 138
2019-023	Department of Social and Health Services	G - 35	E - 144
2019-024	Department of Social and Health Services	G - 36	E - 152
2019-025	Department of Social and Health Services	G - 37	E - 155
2019-026	The Department of Services for the Blind	G - 38	E - 158
2019-027	The Department of Services for the Blind	G - 39	E - 163
2019-028	State Health Care Authority	G - 40	E - 167
2019-029	Department of Social and Health Services	G - 41	E - 173
2019-030	Department of Social and Health Services	G - 43	E - 184

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Plans Page Number</b>	<b>Schedule of Findings Page Number</b>
2019-031	Department of Social and Health Services	G - 45	E - 190
2019-032	Department of Social and Health Services	G - 47	E - 198
2019-033	Department of Commerce	G - 49	E - 208
2019-034	Department of Commerce	G - 50	E - 212
2019-035	Department of Children, Youth, and Families	G - 52	E - 218
2019-036	Department of Children, Youth, and Families	G - 54	E - 229
2019-037	Department of Children, Youth, and Families	G - 55	E - 234
2019-038	Department of Children, Youth, and Families	G - 56	E - 240
2019-039	Department of Children, Youth, and Families	G - 57	E - 244
2019-040	Department of Children, Youth, and Families	G - 59	E - 255
2019-041	Department of Children, Youth, and Families	G - 60	E - 259
2019-042	Department of Children, Youth, and Families	G - 61	E - 266
2019-043	Department of Children, Youth, and Families	G - 62	E - 270
2019-044	Department of Children, Youth, and Families	G - 63	E - 275
2019-045	Department of Children, Youth, and Families	G - 64	E - 281
2019-046	Department of Health	G - 65	E - 287
2019-047	State Health Care Authority	G - 66	E - 293
2019-048	State Health Care Authority	G - 67	E - 300
2019-049	State Health Care Authority	G - 68	E - 309
2019-050	State Health Care Authority	G - 69	E - 320

<b>Finding Number</b>	<b>State Agency</b>	<b>Corrective Action Plans Page Number</b>	<b>Schedule of Findings Page Number</b>
2019-051	State Health Care Authority	G - 70	E - 338
2019-052	State Health Care Authority	G - 71	E - 344
2019-053	State Health Care Authority	G - 72	E - 351
2019-054	Department of Social and Health Services	G - 73	E - 358
2019-055	Department of Social and Health Services	G - 76	E - 378
2019-056	Department of Social and Health Services	G - 78	E - 385
2019-057	Department of Social and Health Services	G - 80	E - 392
2019-058	Department of Social and Health Services	G - 83	E - 405
2019-059	Department of Social and Health Services	G - 85	E - 418
2019-060	Department of Social and Health Services	G - 87	E - 433
2019-061	Department of Social and Health Services	G - 88	E - 437
2019-062	Department of Social and Health Services	G - 89	E - 444
2019-063	Department of Social and Health Services	G - 91	E - 455
2019-064	State Health Care Authority	G - 92	E - 458
2019-065	State Health Care Authority	G - 93	E - 462
2019-066	State Health Care Authority	G - 94	E - 467
2019-067	Department of Children, Youth, and Families	G - 95	E - 473
2019-068	State Health Care Authority	G - 96	E - 483
2019-069	State Health Care Authority	G - 97	E - 488
2019-070	State Health Care Authority	G - 98	E - 493

The state's corrective action plan is a compilation of the corrective action plan information provided to us by the applicable state agencies. The corrective action plan document is prepared in conjunction with the 2019 single audit.

We appreciate the efforts of the Washington State Auditor's Office in completing the Single Audit for the state for fiscal year 2019. If you have any questions regarding the corrective action plans, please do not hesitate to contact our office.

Sincerely,

Brian Tinney  
Assistant Director, Accounting

## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	001	Finding:	The State’s internal controls over financial reporting were insufficient to ensure accurate recording and monitoring of financial activity in its financial statements.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>N/A</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	N/A	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		N/A	\$0				
		Status:	Corrective action in progress				
Corrective Action:	The Office of Financial Management (OFM), with the collaboration of state agencies, strives for the highest standards in the preparation of the state’s financial statements. OFM has discussed the issues with the agencies included in this finding and provided assistance in developing their respective corrective action plans. Responses from each agency are listed below:						
	<p><i>State Board for Community and Technical Colleges</i></p> <p>Since July 2017, the State Board for Community and Technical Colleges (State Board) has been working on developing and implementing an automated process to accurately and completely upload ctcLink financial transactions into the state’s accounting system, Agency Financial Reporting System (AFRS).</p> <p>As of April 2019, the State Board implemented an automated AFRS customized upload process after a yearlong design and testing effort. This upload process provided the State Board the ability to extract college data, process errors, and report data through June 2019 to the Office of Financial Management.</p> <p>On July 1, 2019, a newly re-designed global chart of accounts was implemented, which has significantly improved the college system’s ability to consistently track and report revenues and expenses. However, this implementation affected the AFRS upload process; requiring the customization to be re-configured to work with the new chart of accounts.</p> <p>As of October 2019, the re-configured customization was completed, tested, and successfully deployed. The State Board has been working on fine-tuning the automated upload process and providing training to college clients on the newly implemented process.</p> <p>As of February 2020, the State Board hired a System ctcLink Account Coordinator, a new position dedicated to coordinate, review, and support the AFRS upload process.</p> <p>The State Board will continue to provide technical assistance to all colleges in their efforts to reconcile accounting records with the state accounting system.</p>						

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## State of Washington

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	001 (cont'd)	<p><i>Healthcare Authority</i></p> <p>The Authority recognizes the significance and priority of internal controls over recording and reporting financial transactions.</p> <p>The Authority disagrees that annual assurance over ProviderOne controls are necessary and that the Authority did not address monitoring in its ProviderOne contract language. Currently, the vendor provides an independent service organization control (SOC) audit every other year. The estimated additional cost to purchase an annual SOC audit report is \$470,000 each biennium.</p> <p>In both 2019 and 2020, the Authority requested funding from the legislature to contract for the additional SOC audit report. These requests were not funded.</p> <p>The Authority will continue to submit request for funds to obtain this report in order to resolve the audit finding.</p> <p>Completion Date: Estimated November 2020</p> <p>Contact: Brian Tinney Statewide Accounting Assistant Director PO Box 43127 Olympia, WA 98504-3127 (360) 725-0171 <a href="mailto:brian.tinney@ofm.wa.gov">brian.tinney@ofm.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	002	<p data-bbox="483 422 1386 485">Finding: The Department of Social and Health Services improperly charged \$717,011 to the SNAP Cluster.</p> <table border="0" data-bbox="483 516 1101 611"> <tr> <td data-bbox="483 516 610 543">Questioned</td><td data-bbox="672 516 764 543"><u>CFDA #</u></td><td data-bbox="1003 516 1101 543"><u>Amount</u></td></tr> <tr> <td data-bbox="483 548 553 575">Costs:</td><td data-bbox="672 548 748 575">10.551</td><td data-bbox="1003 548 1101 575">\$717,011</td></tr> <tr> <td></td><td data-bbox="672 579 748 606">10.561</td><td></td></tr> </table> <p data-bbox="483 642 980 669">Status: Corrective action in progress</p> <p data-bbox="483 705 1214 768">Corrective Action: The Department partially concurs with the finding.</p> <p data-bbox="672 768 1458 915">While the Department concurs \$717,011 in expenditures were initially charged to the SNAP-Ed grant before the start of the performance period, the Department does not concur it was out of compliance with grant regulations. The Department corrected the charges during August 2019, which is within the grant's two-year federal period of performance cycle.</p> <p data-bbox="672 951 1463 978">As of February 2020, the Department implemented the following reviews:</p> <ul data-bbox="699 989 1463 1157" style="list-style-type: none"> <li>• Monthly reviews to identify and correct expenditures that are out of compliance with period of performance requirements.</li> <li>• A final end-of-the year review to ensure all expenditures charged outside the period of performance are corrected before the state accounting records close.</li> </ul> <p data-bbox="672 1192 1370 1287">By June 2020, the Department will request an additional full time accounting position to assume the responsibility for monitoring compliance with period of performance requirements.</p> <p data-bbox="672 1318 1419 1434">If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with the Department of Health and Human Services and will take appropriate action.</p> <p data-bbox="672 1472 1451 1535">The conditions noted in this finding were previously reported in findings 2018-002, 2017-002, 2016-002, 2015-003 and 2014-022.</p> <p data-bbox="483 1570 894 1633">Completion Date: Estimated June 2020</p> <p data-bbox="483 1665 1068 1854">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	10.551	\$717,011		10.561	
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	10.551	\$717,011									
	10.561										

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2019	003	Finding:	The Office of the Superintendent of Public Instruction did not ensure Child Nutrition Cluster program reimbursements were made only to entities operating under a written agreement with the Office.										
		Questioned Costs:	<table><thead><tr><th>CFDA #</th><th>Amount</th></tr></thead><tbody><tr><td>10.553</td><td>\$33,923</td></tr><tr><td>10.555</td><td></td></tr><tr><td>10.556</td><td></td></tr><tr><td>10.559</td><td></td></tr></tbody></table>	CFDA #	Amount	10.553	\$33,923	10.555		10.556		10.559	
		CFDA #	Amount										
		10.553	\$33,923										
		10.555											
		10.556											
		10.559											
		Status:	Corrective action in progress										
		Corrective Action:	<p>The Office concurs with this finding.</p> <p>The Office renews all program agreements annually in addition to processing new sponsor agreements. The Office maintains adequate internal controls to ensure program reimbursements are made only to entities operating under a written agreement with the Office. This finding resulted from an isolated incident where the sponsor switched between programs during the initial application process. As a result, a permanent agreement for the program was not collected from the sponsor.</p> <p>In response to the audit finding, the Office:</p> <ul style="list-style-type: none"><li>Developed a new Child Nutrition Programs agreement to minimize confusion over the appropriate type of program agreement to be used.</li><li>Updated internal process for review and approval of sponsor program applications.</li></ul> <p>As of December 2019, the contract department approved the updated agreement template. The Office is currently working on implementation of the new process.</p> <p>The Office will consult with the federal grantor to determine whether the known questioned costs identified by the audit should be repaid.</p>										
		Completion Date:	Estimated April 2020										
Agency Contact:	Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504 (360) 725-0410 <a href="mailto:Leanne.eko@k12.wa.us">Leanne.eko@k12.wa.us</a>												

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2019	004	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with suspension and debarment requirements for Child Nutrition Cluster program subrecipients.										
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.553</td><td>\$0</td></tr><tr><td>10.555</td><td></td></tr><tr><td>10.556</td><td></td></tr><tr><td>10.559</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.553	\$0	10.555		10.556		10.559	
		<u>CFDA #</u>	<u>Amount</u>										
		10.553	\$0										
		10.555											
		10.556											
		10.559											
		Status:	Corrective action in progress										
		Corrective Action:	<p>The Office concurs with this finding.</p> <p>To improve internal controls over federal suspension and debarment requirements, the Office:</p> <ul style="list-style-type: none"><li>Developed a new Child Nutrition Programs Agreement template to include information and attestation to suspension and debarment requirements.</li><li>Updated internal process for review and approval of program applications.</li></ul> <p>As of December 2019, the contract department approved the updated agreement template. The Office is currently working on the implementation of the new process.</p>										
		Completion Date:	Estimated April 2020										
Agency Contact:	Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504 (360) 725-0410 <u><a href="mailto:Leanne.eko@k12.wa.us">Leanne.eko@k12.wa.us</a></u>												

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2019	005	Finding:	The Office of Superintendent of Public Instruction did not have adequate internal controls over and did not comply with requirements to properly account for USDA donated foods.										
		Questioned Costs:	<table><thead><tr><th><u>CFDA #</u></th><th><u>Amount</u></th></tr></thead><tbody><tr><td>10.553</td><td>\$0</td></tr><tr><td>10.555</td><td></td></tr><tr><td>10.556</td><td></td></tr><tr><td>10.559</td><td></td></tr></tbody></table>	<u>CFDA #</u>	<u>Amount</u>	10.553	\$0	10.555		10.556		10.559	
		<u>CFDA #</u>	<u>Amount</u>										
		10.553	\$0										
		10.555											
		10.556											
		10.559											
		Status:	Corrective action in progress										
		Corrective Action:	<p>The Office concurs with the finding.</p> <p>The Office will take the following corrective actions to strengthen internal controls over accounting for USDA donated foods:</p> <ul style="list-style-type: none"><li>• By August 2020, draft and implement internal policies and procedures regarding the reconciliation process for donated foods and ensure physical inventories are reconciled with inventory records.</li><li>• By August 2021, pursue a new/updated electronic food distribution system that includes tracking and reporting capabilities to assist with the reconciliation process.</li></ul>										
		Completion Date:	Estimated August 2021										
Agency Contact:	Leanne Eko Director, Child Nutrition Services PO Box 47200 Olympia, WA 98504 (360) 725-0410 <u><a href="mailto:Leanne.eko@k12.wa.us">Leanne.eko@k12.wa.us</a></u>												

Fiscal Year	Finding Number	Finding and Corrective Action Status					
2019	006	Finding:	The Department of Health did not have adequate internal controls over and did not comply with cash management requirements for the Special Supplemental Nutrition Program for Women, Infants, and Children grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>As of July 2019, the Department updated the Cash Management Improvement Act (CMIA) agreement to accurately reflect planned cash draw actions for fiscal year 2020.</p> <p>To strengthen internal controls over program cash management, the Department:</p> <ul style="list-style-type: none"><li>Reviewed and updated agency procedures to ensure cash draws are performed in accordance with the current CMIA agreement.</li><li>Provided training to ensure staff understand the federal requirements related to cash management.</li><li>Began cross training on the cash draw process to ensure draws are performed timely and in compliance with federal regulations.</li></ul> <p>The conditions noted in this finding were previously reported in finding 2018-006.</p>				
		Completion Date:	January 2020				
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <a href="mailto:kristina.white@doh.wa.gov">kristina.white@doh.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	007	Finding:	The Department of Health did not have adequate internal controls over and did not comply with requirements for procurements of goods and services funded by the Special Supplemental Nutrition Program for Women, Infants, and Children program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.557</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.557	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		10.557	\$0				
		Status:	Corrective action complete.				
		Corrective Action:	<p>This finding resulted from a misunderstanding about an entity thought to be a quasi-governmental entity, which led to the procurement using an intergovernmental agreement instead of a competitive contracting process.</p> <p>As of December 2019, the Department:</p> <ul style="list-style-type: none"><li>• Terminated the contract with the entity that listed itself as a quasi-governmental entity.</li><li>• Processed a replacement contract with the entity for grant program services using established contract procedures and the appropriate non-interagency contract terms.</li><li>• Executed contracts for other grant programs with the entity that met sole source criteria following procedures stipulated in the Department of Enterprises Services procurement policies.</li><li>• Communicated to contract staff that they must confirm the legal status of all entities.</li></ul> <p>Additionally, the Department will:</p> <ul style="list-style-type: none"><li>• Send periodic reminders to staff regarding the legal status of entities.</li><li>• Confirm and document the quasi-governmental status of all new entities in the procurement files.</li></ul>				
Completion Date:	January 2020						
Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <a href="mailto:Kristina.White@doh.wa.gov">Kristina.White@doh.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
2019	008	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan requirements.										
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>10.561</td><td>\$0</td></tr><tr><td>93.558</td><td></td></tr><tr><td>93.566</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	10.561	\$0	93.558		93.566		93.778	
		<u>CFDA #</u>	<u>Amount</u>										
		10.561	\$0										
		93.558											
		93.566											
		93.778											
		Status:	Corrective action in progress										
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>By April 2020, the Department will:</p> <ul style="list-style-type: none"><li>Develop and implement a process to ensure the monthly Random Moment Time Sample (RMTS) staff reconciliations are performed when key personnel are out of the office.</li><li>Work with region staff to develop and implement standard guidelines and procedures for updating the eligible staff list in the Barcode system.</li><li>Conduct a monthly review on a subset of the staff listed on the reconciliation report to ensure the RMTS coordinators are properly updating the eligible staff list in the Barcode system.</li></ul> <p>By May 2020, the Department will:</p> <ul style="list-style-type: none"><li>Update the Public Assistance Cost Allocation (CAS) Plan to reflect current practice of allowing RMTS coordinators to complete samples on behalf of the workers.</li><li>Submit the updated CAS Plan to the federal grantor for approval.</li></ul>										
		Completion Date:	Estimated May 2020										
Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u>Richard.Meyer@dshs.wa.gov</u></p>												



Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	009	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>16.575</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		16.575	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department maintains and regularly updates the general terms and conditions of federal contracts which address the broad federal rules that apply to all federal sub-awards.</p> <p>As of December 2019, the Department implemented a secondary review process to ensure federal requirements are met before issuing subawards.</p> <p>As of January 2020, the Department modified the funding application form requiring contractors to indicate whether they have ever negotiated a federally-negotiated indirect rate with the federal government.</p> <p>By May 2020, the Department will modify the federal contract templates for the Crime Victims Assistance program to include the indirect cost rate. The template update request will be submitted to the contract unit for implementation.</p> <p>By September 2020, the Department will work with the Department of Commerce to ensure a coordinated and unified approach for expanding the fiscal monitoring of subrecipients to include reimbursement requests for all activities, and not just those for goods and services.</p> <p>These process changes and additional requirements for subrecipients will be effective for contracts awarded beginning in state fiscal year 2021.</p>				
		Completion Date:	Estimated September 2020				
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	010	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Crime Victims Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>16.575</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		16.575	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department’s Crime Victims Assistance (CVA) program established procedures to expand fiscal monitoring over all reimbursements by requiring back up documentation for salaries and benefits, and subcontracted services. The documentation needs to:</p> <ul style="list-style-type: none"><li>Clearly document exact costs, calculations, percentage charged to the grant, and allocation method for costs allocated across multiple fund sources.</li><li>Link actual expenditures to the amounts requested for the reimbursement.</li></ul> <p>In addition, CVA established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"><li>Review of a sample of timesheets to verify and confirm salaries and benefits charged on previously submitted invoices are appropriately supported.</li><li>Review of subrecipient’s fiscal policies and procedures.</li><li>Documenting any other fiscal monitoring activities on the site visit report.</li></ul> <p>As of February 2020, CVA updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p>				
		Completion Date:	February 2020				
Agency Contact:	Shanna-Mae Cullen-Oden Internal Audit Manager PO BOX 42525 Olympia, WA 98504 (360) 725-4030 <a href="mailto:Shanna-mae.cullen-oden@commerce.wa.gov">Shanna-mae.cullen-oden@commerce.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2019	011	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Crime Victim Assistance program or the Low-Income Home Energy Assistance program received required audits and findings were followed up on timely.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>16.575</td><td>\$0</td></tr><tr><td>93.568</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	16.575	\$0	93.568	
		<u>CFDA #</u>	<u>Amount</u>						
		16.575	\$0						
		93.568							
Status:	Corrective action in progress								
Corrective Action:	<p>The Department concurs with the finding.</p> <p>As described in the finding, the Department has written policies and procedures for subrecipient monitoring including:</p> <ul style="list-style-type: none"><li>• Verifying whether the subrecipient requires a single audit.</li><li>• Reviewing audit reports.</li><li>• Following-up on subrecipient audit findings.</li><li>• Ensuring management decisions are issued timely when required.</li></ul> <p>The Department’s Contract Management System (CMS) contains a field to indicate if a single audit is required for a subrecipient at the time a contract is entered into the system. Staff generate quarterly reports from CMS to identify subrecipients that:</p> <ul style="list-style-type: none"><li>• Have audit requirements, to help ensure audit reports are submitted, and any audit findings are identified and captured in the system.</li><li>• Do not have audit requirements have submitted verification forms.</li></ul> <p>Due to the timing of the report reviews, information is not always collected timely to enable follow-up with subrecipients within the required time frame.</p> <p>To improve internal controls, the Department will:</p> <ul style="list-style-type: none"><li>• Update procedures to run the CMS report prior to the end of the nine month required time frame so reminders can be sent to subrecipients.</li><li>• Work with staff responsible for entering audits into CMS to ensure audit requirements are correctly indicated.</li><li>• Ensure audit reports are properly reviewed and identify findings that require appropriate follow-up actions in accordance with federal regulations.</li><li>• Improve communication to staff to ensure work processes follow established policies related to subrecipient audit monitoring.</li></ul> <p>The Department will follow up on the subrecipient audit finding identified during the audit and issue a management decision as required by federal regulation.</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2019	011 (cont'd)	Completion Date:	Estimated May 2020  Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO Box 42525 Olympia, WA 98504 (360) 725-4030 <a href="mailto:shanna-mae.cullen-oden@commerce.wa.gov">shanna-mae.cullen-oden@commerce.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	012	Finding:	The Employment Security Department did not have adequate internal controls over fiscal monitoring requirements to ensure Workforce Innovation and Opportunity Act program funds were being used for allowable purposes.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>17.258</td><td>\$0</td></tr><tr><td>17.259</td><td></td></tr><tr><td>17.278</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	17.258	\$0	17.259		17.278	
		<u>CFDA #</u>	<u>Amount</u>								
		17.258	\$0								
		17.259									
17.278											
Status:	Corrective action not taken										
Corrective Action:	<p>The Department does not concur with the finding.</p> <p>The Department maintains that current subrecipient monitoring process and procedures are adequate to meet all federal requirements and to ensure funds expended are on allowable services for eligible participants.</p> <p>Federal regulations require grantees to perform subrecipient monitoring on an annual basis to ensure proper internal controls exist across pass-through entities, subrecipients and contractors expending federal funds. In accordance with this requirement, the Department established a mandatory annual onsite monitoring process for the Workforce Development Councils (WDCs). A risk-based assessment process is also in place to support the onsite reviews and continues throughout the monitoring process.</p> <p>The Department has the following established procedures in monitoring WDCs, which involve staff from multiple units:</p> <ul style="list-style-type: none"><li>Funds management staff and fiscal staff conduct on-going review of supporting documentation for funding requests from WDC. These reviews form part of the initial risk assessment prior to the onsite reviews.</li><li>Subrecipient monitoring staff performs analysis of each WDC’s spending documentation to assess its capacity to handle funds and deliver services. This analysis often helps to shape the scope of each review.</li><li>During onsite reviews, subrecipient monitoring staff:<ul style="list-style-type: none"><li>Review recent draw requests by WDCs and all supporting documentation for allowability, allocability and reasonableness.</li><li>Review internal control policies, processes and procedures. If control weaknesses are identified, WDCs are required to develop corrective action plans to address identified deficiencies.</li><li>Review supportive services provided to participants by WDCs or their subrecipient/service providers.</li><li>Review participant files to ensure that individuals receiving services are eligible and were reported correctly to the federal grantor.</li></ul></li></ul>										

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	012 (cont'd)	<ul style="list-style-type: none"> <li>○ Follow up on audit issues identified by independent annual audit of each WDC, which in most cases will include audit of the Workforce Innovation and Opportunity Act programs.</li> <li>○ Review WDCs monitoring procedures of their subrecipients, including tools, working papers and documentation, to ensure adequate monitoring for the proper use and expenditures of grant funds.</li> <li>● If internal control deficiencies or questioned costs are identified during onsite reviews, monitoring staff will expand the scope of work, which may include reviewing: <ul style="list-style-type: none"> <li>○ Additional expenditures</li> <li>○ Prior periods</li> <li>○ Closed contracts</li> </ul> </li> <li>● Subrecipient monitoring staff will provide continuous oversight and work with WDCs to ensure corrective action plans are fully implemented.</li> </ul> <p>The Department will work with the federal grantor through the normal audit resolution process to determine if the finding was substantiated.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Ben Hainline Director of Internal Audit PO Box 46000 Olympia, WA 98504-6000 (360) 902-9276 <a href="mailto:bhainline@esd.wa.gov">bhainline@esd.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	013	Finding:	The Department did not have adequate internal controls to ensure management decisions related to Workforce Innovation and Opportunity Act findings were issued in a timely manner.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>17.258</td><td>\$0</td></tr><tr><td>17.259</td><td></td></tr><tr><td>17.278</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	17.258	\$0	17.259		17.278	
		<u>CFDA #</u>	<u>Amount</u>								
		17.258	\$0								
		17.259									
		17.278									
		Status:	Corrective action complete								
Corrective Action:	<p>The Department concurs with the finding.</p> <p>As of January 2020, the Department:</p> <ul style="list-style-type: none"><li>Updated and implemented the <i>Workforce Innovation and Opportunity Act Audit Requirement, Reports and Resolution</i> policy to align with federal requirements.</li><li>Updated the internal process of documenting and communicating management decisions to subrecipients.</li></ul>										
Completion Date:	January 2020										
Agency Contact:	<p>Ben Hainline Director of Internal Audit PO Box 9046 (360) 902-9276 <u>BHainline@ESD.WA.Gov</u></p>										

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	014	Finding:	The Washington State Department of Transportation did not have adequate internal controls over and did not comply with suspension and debarment requirements.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.219</td><td></td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.219		20.224	
		<u>CFDA #</u>	<u>Amount</u>								
		20.205	\$0								
		20.219									
		20.224									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Department is committed to ensuring grant programs comply with federal regulations. The Department’s program staff performed a review of the subrecipients and confirmed that none of the local agencies that received payments were suspended or debarred.</p> <p>In response to prior year’s audit finding, the Department:</p> <ul style="list-style-type: none"><li>Updated the Local Agency Guidelines (LAG) Manual to require explicit language regarding suspension and debarment be included in subrecipient contracts.</li><li>Updated the contract template to include a suspension and debarment clause for subrecipients to certify.</li></ul> <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the suspension and debarment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in finding 2018-011.</p>								
		Completion Date:	June 2019								
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>								



Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	015	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to conduct program and fiscal monitoring of subrecipients for the Highway Planning and Construction Cluster.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.219</td><td></td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.219		20.224	
		<u>CFDA #</u>	<u>Amount</u>								
		20.205	\$0								
		20.219									
		20.224									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department is committed to ensuring that our grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department’s Local Programs Division will examine current policies and procedures/practices related to the audit issues.</p> <p>In addition, the Department will:</p> <ul style="list-style-type: none"><li>• Work with the Federal Highway Administration (FHWA) to modify language in the Stewardship and Oversight Agreement (agreement) to reflect that required Project Management Reviews (PMRs) will be scheduled once the project is substantially complete or complete.</li><li>• Update the Local Agency Guidelines (LAG) Manual to reflect the scheduling of a PMR once the project is substantially complete or complete.</li><li>• Attempt to complete PMRs in the required 3-year timeframe until the agreement and LAG Manual updates are completed.</li><li>• Communicate changes to policies and procedures, the LAG Manual, and the agreement to Local Program staff and stakeholders.</li></ul>								
		Completion Date:	Estimated June 2020								
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	016	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to perform risk assessments for subrecipients of the Highway Planning and Construction Cluster.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.219</td><td></td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.219		20.224	
		<u>CFDA #</u>	<u>Amount</u>								
		20.205	\$0								
		20.219									
		20.224									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Department is committed to ensuring grant programs comply with federal regulations regarding required risk assessments.</p> <p>In response to prior year’s audit finding, the Department took corrective actions to address the audit recommendations, as follows:</p> <ul style="list-style-type: none"><li>• As of June 2019, established a risk assessment program to inform required monitoring activities.</li><li>• Developed a risk assessment form to document assessments performed.</li><li>• Communicated information on the risk assessment program to appropriate headquarters and regional staff.</li><li>• Reviewed initial risk assessment forms completed by regional staff to ensure they were proper.</li></ul> <p>Since the prior year’s audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement corrective actions during the 2019 audit period.</p> <p>The Department anticipates full compliance with the risk assessment requirement by fiscal year 2020.</p> <p>The conditions noted in this finding were previously reported in findings 2018-012.</p>								
		Completion Date:	June 2019								
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	017	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with requirements to ensure subrecipients received required single audits, findings related to federal program awards were followed up on, and management decisions were issued.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.219</td><td></td></tr><tr><td>20.224</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.219		20.224	
		<u>CFDA #</u>	<u>Amount</u>								
		20.205	\$0								
		20.219									
		20.224									
		Status:	Corrective action in progress								
Corrective Action:	<p>The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>The Department received an informal audit recommendation in a prior audit regarding monitoring all subrecipients’ single audit status. The Department subsequently consulted with the Federal Highway Administration’s (FHWA) Washington Division Office to determine the extent of the responsibilities of state agencies. FHWA agreed that the Department’s guidance in the Local Agency Guidelines Manual appeared to meet the intent of the requirements in 2 CFR 200.331 and 2 CFR 200.501 with respect to subrecipient audit requirements. FHWA further stated that obtaining written verification from each subrecipient below the audit threshold is not the only means to achieve compliance.</p> <p>To resolve the issues in this finding, the Department will :</p> <ul style="list-style-type: none"><li>• Continue to work with FHWA, the Office of the State Auditor and other stakeholders to take any required actions to remain compliant with all federal requirements, and communicate those actions to appropriate staff and stakeholders.</li><li>• Issue management decisions for subrecipient audit findings when required.</li></ul>										
Completion Date:	Estimated September 2020										
Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>										

Fiscal Year	Finding Number	Finding and Corrective Action Plan												
2019	018	<p data-bbox="483 422 1468 548">Finding: The Washington State Department of Transportation did not have adequate internal controls over and did not comply with requirements to collect certified payrolls from contractors on projects funded by the Highway Planning and Construction Cluster.</p> <table border="1" data-bbox="483 583 1096 709"> <thead> <tr> <th data-bbox="483 583 609 611">Questioned Costs:</th><th data-bbox="673 583 764 611">CFDA #</th><th data-bbox="1003 583 1096 611">Amount</th></tr> </thead> <tbody> <tr> <td data-bbox="483 611 609 638"></td><td data-bbox="673 611 764 638">20.205</td><td data-bbox="1003 611 1096 638">\$0</td></tr> <tr> <td data-bbox="483 638 609 665"></td><td data-bbox="673 638 764 665">20.219</td><td data-bbox="1003 638 1096 665"></td></tr> <tr> <td data-bbox="483 665 609 693"></td><td data-bbox="673 665 764 693">20.224</td><td data-bbox="1003 665 1096 693"></td></tr> </tbody> </table> <p data-bbox="483 741 980 768">Status: Corrective action in progress</p> <p data-bbox="483 804 1468 999">Corrective Action: The Department does not concur with the finding.  After consulting with the Federal Highway Administration (FHWA) and conducting additional research, the Department maintains that current process complies with the Davis-Bacon Act and federal regulations for contractor payment of prevailing wages.</p> <p data-bbox="673 1035 1414 1098">In April 2019, the Department received a management decision letter from FHWA in response to the fiscal year 2018 finding, which stated:</p> <ul data-bbox="701 1108 1468 1339" style="list-style-type: none"> <li data-bbox="701 1108 1468 1234">• FHWA approved the Department's Construction Manual and Standard Specifications and confirmed that documented procedures contain the necessary controls to ensure reasonable compliance with 29 CFR 5.5 and the Davis-Bacon and Related Acts.</li> <li data-bbox="701 1245 1468 1339">• FHWA agreed that current processes in place are reasonable and satisfy the intent of the Department of Labor's certified payroll requirements.</li> </ul> <p data-bbox="673 1375 1422 1438">In an effort to continue to improve, the Department took the following actions to collect certified payrolls timely:</p> <ul data-bbox="701 1449 1468 1749" style="list-style-type: none"> <li data-bbox="701 1449 1414 1512">• Highlighted the requirements for collecting certified payrolls at statewide construction meetings.</li> <li data-bbox="701 1522 1393 1585">• Released an agency-wide Construction Bulletin regarding the monitoring and timely collection of certified payrolls.</li> <li data-bbox="701 1596 1468 1749">• Worked with the Department of Labor and Industries (L&amp;I) to utilize their Prevailing Wage Intent &amp; Affidavit (PWIA) system to electronically collect and store certified payrolls. The PWIA system went live on January 1, 2020 and is expected to obtain federal system certification in March 2020.</li> </ul> <p data-bbox="673 1785 1455 1906">Since the prior year's audit finding was issued late in the fiscal year 2019 audit cycle, the Department was not able to fully implement these improvements during the current audit period. The full effectiveness of these changes cannot be determined until the fiscal year 2020 audit cycle.</p> <p data-bbox="673 1942 1411 2005">The Department continues to strive for improvements in this area. To further address the audit recommendations, the Department will:</p>	Questioned Costs:	CFDA #	Amount		20.205	\$0		20.219			20.224	
Questioned Costs:	CFDA #	Amount												
	20.205	\$0												
	20.219													
	20.224													

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	018 (cont'd)	<ul style="list-style-type: none"> <li>• Seek updates to WAC 468-16-180, Suspension of Qualifications, to allow the Department to suspend or condition Pre-Qualification for habitual noncompliance of certified payrolls.</li> <li>• Update the Prime Contractor's Performance Report Manual to include certified payrolls submission.</li> <li>• Update training on the requirements to collect certified payrolls.</li> <li>• Update the Construction Manual to include language for certified payroll collection requirements under the new L&amp;I PWIA System.</li> <li>• Continue to work with our federal grantor, FHWA, for any further actions needed to resolve this finding.</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2018-012.</p> <p>Completion Date: Estimated September 2020</p> <p>Agency Contact: Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	019	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with quality assurance program requirements to ensure materials conform to approved plans and specifications for projects funded by the Highway Planning and Construction Cluster.								
		Questioned Costs:	<table><thead><tr><th><u>CFDA #</u></th><th><u>Amount</u></th></tr></thead><tbody><tr><td>20.205</td><td>\$0</td></tr><tr><td>20.219</td><td></td></tr><tr><td>20.224</td><td></td></tr></tbody></table>	<u>CFDA #</u>	<u>Amount</u>	20.205	\$0	20.219		20.224	
		<u>CFDA #</u>	<u>Amount</u>								
		20.205	\$0								
		20.219									
		20.224									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department is committed to ensuring that grant programs comply with federal regulations related to quality assurance requirements, safeguarding that materials and workmanship conform to approved plans and specifications through testing, inspections, or certifications.</p> <p>To address the audit recommendations, the Department’s Construction Division will examine current processes, policies and procedures related to the audit issues.</p> <p>The Department will:</p> <ul style="list-style-type: none"><li>• Update policies and procedures, including the Department’s Construction (M46-01) and Standard Specifications (M41-10) Manuals, as needed to ensure compliance with federal requirements including emergency contracts and facilities contracts.</li><li>• Clarify processes and procedures as needed for adequately documenting materials testing, inspections, certification, and acceptance.</li><li>• Obtain approval of updates to the Construction Manual from the Federal Highway Administration</li><li>• Communicate changes in policies and procedures to division staff and stakeholders.</li></ul>								
		Completion Date:	Estimated June 2020								
		Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	020	Finding:	The Department of Transportation made unsupported payments to subrecipients of the Federal Transit Cluster program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.526</td><td>\$1,093,061</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.526	\$1,093,061
		<u>CFDA #</u>	<u>Amount</u>				
		20.526	\$1,093,061				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department is committed to ensuring that grant programs comply with federal regulations related to allowable costs.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>By June 2020, the Department will:</p> <ul style="list-style-type: none"><li>• Update policies and procedures as needed to ensure capital project reimbursements have complete supporting documents from grantees prior to making payment.</li><li>• Obtain management approval and communicate any changes in policies and procedures to Division staff and stakeholders.</li><li>• Consult with the grantor to discuss whether the questioned costs should be repaid.</li></ul>				
		Completion Date:	Estimated June 2020				
Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	021	Finding:	The Department of Transportation did not have adequate internal controls over and did not comply with federal requirements to monitor the activities of subrecipients with subawards funded by the Federal Transit Cluster.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.526</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.526	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		20.526	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>By June 2020, the Department will:</p> <ul style="list-style-type: none"><li>• Update policies and procedures as needed to ensure Division staff:<ul style="list-style-type: none"><li>○ Perform grantee monitoring as required in the Consolidated Grant Guidebook.</li><li>○ Properly document monitoring efforts.</li><li>○ Monitor receipt of required progress reports from grantees.</li></ul></li><li>• Obtain management approval and communicate any changes in policies and procedures to Division staff and stakeholders.</li></ul>				
		Completion Date:	Estimated June 2020				
Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>						



Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	022	Finding:	The Department of Transportation did not have adequate internal controls to ensure subrecipients received single audits required by federal rule, findings related to federal program awards were followed up on and management decisions were issued.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>20.526</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	20.526	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		20.526	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department is committed to ensuring that grant programs comply with federal regulations related to subrecipient monitoring.</p> <p>To address the audit recommendations, the Department established a work group within the Public Transportation Division (Division) to examine federal regulations, grantee guidance documents, and existing Division internal policies and procedures related to the audit issues.</p> <p>By June 2020, the Department will:</p> <ul style="list-style-type: none"><li>• Update policies and procedures as needed for Division staff performing grantee monitoring activities to ensure:<ul style="list-style-type: none"><li>○ Subrecipients receive single audits as required by federal rules.</li><li>○ Staff follow up on findings and issue management decisions when required.</li></ul></li><li>• Obtain management approval and communicate any changes in policies and procedures to Division staff and stakeholders.</li></ul>				
		Completion Date:	Estimated June 2020				
Agency Contact:	Jesse Daniels External Audit Liaison PO Box 47320 Olympia, WA 98504 (360) 705-7035 <a href="mailto:danielje@wsdot.wa.gov">danielje@wsdot.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	023	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with federal requirements to ensure payments paid on behalf of clients for Vocational Rehabilitation were allowable.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$19,898</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$19,898
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$19,898				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>By May 2020, the Department will issue communication to the field staff to clarify and reinforce the requirements for:</p> <ul style="list-style-type: none"><li>• Proper authorization and payment for client services.</li><li>• Obtaining both client signature and date on the service plan.</li><li>• Maintaining all necessary documents in case records.</li></ul> <p>By June 2020, the Department will review the current contract language, policy and payment process related to the age requirements for pre-employment transition services.</p> <p>By July 2020, the Department will:</p> <ul style="list-style-type: none"><li>• Review current policies and the case management system related to service plan changes and implement recommendations if needed. These could include:<ul style="list-style-type: none"><li>○ Conditions for amendments and edits to the service plan.</li><li>○ Case management system changes.</li></ul></li><li>• Review procedures regarding authorization and payment timelines and implement recommendations if needed.</li></ul> <p>The Department will contact the federal grantor to determine if questioned costs are to be reimbursed.</p> <p>The conditions noted in this finding were previously reported in findings 2018-023, 2017-014, and 2016-013.</p>				
		Completion Date:	Estimated July 2020				
		Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>				

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Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	024	Finding:	The Department of Social and Health Services improperly charged \$279,844 to the Vocational Rehabilitation grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$279,844</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$279,844
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$279,844				
		Status:	Corrective action in progress				
		Corrective Action:	The Department concurs with the finding.				
			By June 2020, the Department will: <ul style="list-style-type: none"><li>• Ensure funds are correctly charged to the grant by moving the expenditures to the proper grant year.</li><li>• Develop process and procedures to ensure federal grant expenditures are obligated during the period of performance.</li></ul>				
	The Department will contact the federal grantor to determine if questioned costs identified in the audit should be repaid.						
Completion Date:	Estimated June 2020						
Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>						

**State of Washington - Office of Financial Management**  
**Corrective Action Plan**

**For the Fiscal Year Ended**  
**June 30, 2019**

**Department of Social and Health Services**

**Agency 300**

<b>Fiscal Year</b>	<b>Finding Number</b>	<b>Finding and Corrective Action Plan</b>	
2019	025	<p>Finding: The Department of Social and Health Services did not have adequate internal controls to ensure its federal program cost report for the Vocational Rehabilitation grant was accurately prepared.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Department concurs with the finding.</p> <p>As of December 2019, the Department established written procedures to re-implement secondary reviews for the program cost reports (RSA-2). A secondary review was completed for the most recent RSA-2 report that was submitted in December 2019.</p> <p>The conditions noted in this finding were previously reported in findings 2018-024.</p> <p>Completion Date: December 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>	

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	026	Finding:	The Department of Services for the Blind did not have adequate internal controls over and was not compliant with requirements to ensure cash draws were accurate and made timely for the Vocational Rehabilitation program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
Status:	Corrective action in progress						
Corrective Action:	<p>The Department continued to experience staff turnover in the fiscal unit that affected the level of oversight over the federal draw process. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations and to strengthen internal controls over cash management.</p> <p>As of December 2018, the Department hired consultants to:</p> <ul style="list-style-type: none"><li>• Recommend an organizational structure for the fiscal unit.</li><li>• Assist with drafting agency policies and procedures related to cash management.</li></ul> <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"><li>• Recruited a Senior Financial Officer with an understanding of grant requirements. Working in tandem with the Deputy Financial Officer, a secondary review process is in place.</li><li>• Completed the draft policies and procedures for cash management and submitted for review.</li></ul> <p>By June 2020, the Department anticipates finalizing policies, procedures and providing training on the new process.</p> <p>The conditions noted in this finding were previously reported in finding 2018-020.</p>						
		Completion Date:	Estimated June 2020				
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	027	Finding:	The Department of Services for the Blind did not have adequate internal controls over reporting requirements for the Vocational Rehabilitation Grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>84.126</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	84.126	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		84.126	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department continued to experience staff turnover in the fiscal unit that affected the level of oversight over the federal reporting process. In response to prior audit findings, the Department implemented corrective actions to address the audit recommendations and to strengthen internal controls over creating and reviewing program cost reports.</p> <p>As of December 2018, the Department hired consultants to:</p> <ul style="list-style-type: none"><li>• Recommend an organizational plan for the fiscal unit.</li><li>• Assist with evaluating current processes and controls relating to federal reporting.</li></ul> <p>As of February 2020, the Department:</p> <ul style="list-style-type: none"><li>• Recruited a Senior Financial Officer with an understanding of grant reporting requirements. Working in tandem with the Deputy Financial Officer, a secondary review process is in place.</li><li>• Completed the draft policies and procedures for federal reporting and submitted for review.</li></ul> <p>By June 2020, the Department anticipates finalizing the policies, procedures and providing training on the new process.</p> <p>The conditions noted in this finding were previously reported in finding 2018-019 and 2017-010.</p>				
		Completion Date:	Estimated June 2020				
		Agency Contact:	Lorie Christoferson Deputy Financial Officer PO Box 40933 Olympia, WA 98504-0933 (360) 725-3840 <a href="mailto:Lorie.christoferson@dsb.wa.gov">Lorie.christoferson@dsb.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2019	028	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs received required audits.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.243</td><td>\$0</td></tr><tr><td>93.959</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.243	\$0	93.959	
		<u>CFDA #</u>	<u>Amount</u>						
		93.243	\$0						
		93.959							
		Status:	Corrective action in progress						
		Corrective Action:	<p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Health Care Authority (Authority). The Authority assumed the responsibilities over the Substance Abuse and Mental Health Services Projects of Regional and National Significance and Block Grants for Prevention and Treatment of Substance Abuse programs.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"><li>Assessing and updating policies and procedures related to subrecipient monitoring.</li><li>Strengthening internal controls to ensure:<ul style="list-style-type: none"><li>Subrecipients submit required audits.</li><li>Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.</li><li>All audit findings and correction action plans are tracked and management decisions are issued promptly.</li></ul></li></ul> <p>The Authority will ensure the subrecipient monitoring workgroup continues and the audit recommendations are addressed.</p> <p>The conditions noted in this finding were previously reported in findings 2018-025, 2017-016, 2016-014, 2015-016, and 2014-019.</p>						
Completion Date:	Estimated October 2020								
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	029	Finding:	The Department of Social and Health Services did not have adequate internal controls to ensure payments to child care providers paid with Temporary Assistance for Needy Families funds were allowable.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$4,382</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$4,382
		<u>CFDA #</u>	<u>Amount</u>				
		93.558	\$4,382				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department collaborated with the Department of Children, Youth and Families (DCYF) to procure an electronic attendance record system. The system enables accurate and real-time recording of child care attendance, tracks daily attendance, and captures data on child care usage.</p> <p>As of December 2018, licensed providers who accept subsidy are required to use DCYFs electronic attendance record system or an approved third party system to track attendance. As of November 2019, Family, Friends, &amp; Neighbors (FFN) providers were added to this requirement.</p> <p>Of the nine exceptions reported, the Department concurs that six of the payments were partially or fully unallowable. By June 2020, the Department will work with DCYF to establish overpayments where appropriate and refer these overpayments to the Office of Financial Recovery for collection.</p> <p>The Department does not concur that three of these payments were unallowable. The auditor found these payments to be unallowable because the providers submitted records for the correct month, but not for the child sampled. However, the Department was not given the opportunity to follow up with the providers to obtain the appropriate attendance records.</p> <p>The Department and DCYF have already reached out to the providers and will continue to follow-up on the missing attendance records and determine the appropriate next steps.</p> <p>If the Department of Health and Human Services (HHS) contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2018-026, 2017-017, and 2016-019.</p>				
		Completion Date:	Estimated June 2020				

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	029 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	030	Finding:	The Department of Social and Health Services did not have adequate internal controls in place to ensure it submitted accurate quarterly reports for the Temporary Assistance for Needy Families grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$0						
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>In response to prior year’s audit finding for the Temporary Assistance for Needy Families (TANF) grant, the Department established written code change policies and procedures and developed a process to track code changes.</p> <p>As of September 2019, the Department implemented:</p> <ul style="list-style-type: none"><li>• IT industry standard formal change control procedures and change control logs. The change control procedures include written descriptions of the roles and responsibilities of staff who make coding changes and management who review the changes.</li><li>• Microsoft Team Foundation Server for source code control, testing and quality assurance activities.</li><li>• The requirement of completing a technical assessment form when changes are requested for the TANF federal reporting process. Technical assessment forms are subject to independent review and approval by the TANF Reporting Manager before code changes are executed.</li></ul> <p>Due to the timing of implementation, these process changes and the resulting improvement in internal controls will not be reflected until the fiscal year 2020 audit cycle.</p> <p>The Department continues to:</p> <ul style="list-style-type: none"><li>• Conduct a review of each quarterly report to identify potential fatal and warning edits.</li><li>• Conduct a quarterly quality assurance process by randomly selecting a sample of the reported cases to verify against source data system records for accuracy. Department manager reviews a summary of the results and assigns cases for correction as needed.</li></ul> <p>By May 2020, the Department will fill a position for performing and documenting independent reviews and testing of code changes prior to deployment to the production environment.</p> <p>The conditions noted in this finding were previously reported in findings 2018-028, 2017-020, and 2016-016.</p>				

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	030 (cont'd)	<p data-bbox="492 426 898 489">Completion Date: Estimated May 2020</p> <p data-bbox="492 520 1068 709">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	031	Finding:	The Department of Social and Health Services did not have adequate internal controls over and was not compliant with requirements to ensure quarterly and annual reports for the Temporary Assistance for Needy Families grant were submitted accurately.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.558	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department partially concurs with the finding.</p> <p>The Department concurs that one of the four quarterly reports tested did not have supporting accounting records, and that a data entry error of \$1 million was found on one other quarterly report. The Department corrected the error in a subsequent quarterly report prior to the audit. Following the discovery of this error, the Department implemented a secondary review process to prevent data entry errors.</p> <p>The Department does not concur with the auditors’ statement that the Department did not maintain adequate documentation to support the \$480 million expenditures of other state agencies reported as part of the maintenance of effort (MOE) requirement.</p> <p>In response to the prior two years’ audit findings, the Department:</p> <ul style="list-style-type: none"><li>Added an additional control by updating the attestations at the beginning of each year to include written declarations for all participants to state that the previous year’s sources are viable for the current fiscal year.</li><li>Implemented a quarterly monitoring/reporting schedule for all MOE sources to ensure timely confirmation that reported expenditures are allowable and accurate.</li></ul> <p>By using the attestations, quarterly monitoring/reporting and data exchanges, the Department reviews the expenditures of each partnering agency to ensure they are accurate, verifiable, not used for any other federal matching purpose and are adequately supported.</p> <p>The Department maintains that these compensating controls meet federal regulations requiring expenditures to be “verifiable”.</p> <p>By June 2020, the Department will formally request an additional full time accounting position that will be responsible for managing the Temporary Assistance for Needy Families grant to include preparation and submission of quarterly reports. In addition, this position will be responsible for creating a sustainable emergency backup plan to ensure coverage during absences, as well as strengthening and enhancing internal controls.</p> <p>The conditions noted in this finding were previously reported in findings 2018-029, 2017-021, 2016-018, and 2015-021.</p>				

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	031 (cont'd)	<p data-bbox="492 426 898 489">Completion Date: Estimated June 2020</p> <p data-bbox="492 520 1068 709">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	032	Finding:	The Department of Social and Health Services did not have adequate internal controls over and did not comply with client eligibility requirements for the Working Connections Child Care program.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$66,555</td></tr><tr><td>93.575</td><td></td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$66,555	93.575		93.596	
		<u>CFDA #</u>	<u>Amount</u>								
		93.558	\$66,555								
		93.575									
		93.596									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department partially concurs with the audit finding.</p> <p>Effective July 1, 2019, the Department transferred responsibility for administering all aspects of client (consumer) eligibility determination and child care provider payment under the Child Care Development Fund (CCDF) to the Department of Children, Youth and Families (DCYF). Further changes and enhancements to this program are within the purview of DCYF.</p> <p>The Department concurs that eligibility was not properly determined before services were authorized in the 14 cases identified by the auditors. The Department will work with DCYF to establish overpayments where appropriate and refer to the Office of Financial Recovery for collection.</p> <p>Since July 2019, DCYF has been working on strengthening internal controls over consumer eligibility determination for the Working Connections Child Care (WCCC) program. As of November 2019, DCYF:</p> <ul style="list-style-type: none"><li>• Implemented consumer program violation rules and processes.</li><li>• Provided training to employees on policy and procedural changes for verifying household composition.</li><li>• Developed desk aids and letter templates for employee use when requesting information from families.</li></ul> <p>To address consumer child care fraud, DCYF submitted legislation which resulted in a new state law that disqualifies consumers for five years when found guilty of obtaining child care benefits fraudulently. DCYF also:</p> <ul style="list-style-type: none"><li>• Developed policies and procedures to support the new state law</li><li>• Developed and provided new training to help employees better utilize available systems to detect fraud.</li></ul> <p>Currently, DCYF is conducting post-eligibility review audits for data input accuracy.</p> <p>By April 2020, DCYF will:</p> <ul style="list-style-type: none"><li>• Communicate processes for determining approved activity hours for WorkFirst participants.</li></ul>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	032 (cont'd)	<ul style="list-style-type: none"> <li>• Develop and deliver employee training on using available data systems, specifically those from the Department's Division of Child Support and Division of Employment Security.</li> </ul> <p>By June 2020, DCYF will:</p> <ul style="list-style-type: none"> <li>• Improve the process for timely closure of consumer cases on the 60<sup>th</sup> day for cases approved under presumptive eligibility with new employment, but consumer subsequently failed to provide employment verification.</li> <li>• Improve automated notification to eligibility staff for families that have a recent investigation completed by the Office of Fraud and Accountability.</li> <li>• Develop verification procedures when families report changes.</li> <li>• Add language to the application form addressing household composition verification and fraud penalty notice.</li> </ul> <p>By July 2020, DCYF will:</p> <ul style="list-style-type: none"> <li>• Improve automated notifications to assist eligibility staff track and verify residence of the non-custodial parent.</li> <li>• Assign internal auditors to conduct statewide reviews of audits performed by field lead workers related to household composition.</li> </ul> <p>If the Department of Health and Human Services (HHS) contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs with HHS and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in findings 2018-030, 2017-026, 2016-023, 2015-026, 2014-026, 2013-017, and 12-30.</p> <p>Completion Date: Estimated July 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	033	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with earmarking requirements for the Low Income Home Energy Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.568</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.568	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.568	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>Previously, the Department’s Low-Income Home Energy Assistance (LIHEAP) program tracked conservation education, other direct services, and direct services under one budget line item of “direct services.”</p> <p>In October 2018, LIHEAP made adjustments to program practices to track program expenditures by individual master index codes in the Department’s Contract Management System and statewide accounting system. As of February 2020, master index codes have been established for the following expenditure categories:</p> <ul style="list-style-type: none"><li>• Administrations</li><li>• Conservation education</li><li>• Direct services</li><li>• Other direct services</li><li>• Other emergency services</li><li>• Contractor advances</li></ul> <p>The use of tracking expenditures using master index codes will provide adequate internal controls to meet federal earmarking requirements.</p>				
		Completion Date:	February 2020				
Agency Contact:	Shanna-Mae Cullen-Oden Internal Audit Manager PO Box 42525 Olympia, WA 98504 (360) 725-4030 <a href="mailto:Shanna-mae.cullen-oden@commerce.wa.gov">Shanna-mae.cullen-oden@commerce.wa.gov</a>						



Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	034	Finding:	The Department of Commerce did not have adequate internal controls over and did not comply with subrecipient monitoring requirements for the Low-Income Home Energy Assistance program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.568</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.568	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.568	\$0				
		Status:	Corrective action complete				
Corrective Action:	<p>The Department concurs with the finding.</p> <p>In response to prior year’s audit recommendations, the Low-Income Home Energy Assistance program (LIHEAP) had strengthened internal controls over monitoring activities of subrecipients to ensure program subawards are used for authorized purposes. The current monitoring process:</p> <ul style="list-style-type: none"><li>Increased the threshold for onsite and desk monitoring review from one to three months of fiscal transactions.</li><li>Required general ledger and back up documentation to be submitted for each selected transaction to verify costs are allowable.</li></ul> <p>LIHEAP has established procedures to expand fiscal monitoring over reimbursements by requiring back up documentation for each request, which include a roll-up summary that:</p> <ul style="list-style-type: none"><li>Documents the exact costs charged to the grant by specific codes in the accounting system assigned to the grant.</li><li>Links actual expenditures to the amounts requested for reimbursement.</li></ul> <p>LIHEAP has also established procedures for documenting monitoring activities that are conducted during onsite visits, which include:</p> <ul style="list-style-type: none"><li>Review of a sample of timesheets to verify and confirm salary/benefits charged on previously submitted invoices are appropriately supported.</li><li>Review of subrecipient’s fiscal policies and procedures.</li><li>Documenting any other fiscal monitoring activities on the site visit report.</li></ul> <p>As of February 2020, LIHEAP updated the subaward certification form to include whether the subrecipient has a federally negotiated indirect rate. This will ensure the subaward clearly identifies the indirect cost rate.</p> <p>The conditions noted in this finding were previously reported in finding 2018-032.</p>						
Completion Date:	February 2020						

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	034 (cont'd)	Agency Contact: Shanna-Mae Cullen-Oden Internal Audit Manager PO Box 42525 Olympia, WA 98504 (360) 725-4030 <a href="mailto:Shanna-mae.cullen-oden@commerce.wa.gov">Shanna-mae.cullen-oden@commerce.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2019	035	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payments to child care providers for the Child Care and Development Fund program were allowable.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$7,199</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$7,199	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$7,199						
		93.596							
Status:	Corrective action in progress								
Corrective Action:	<p>The Department partially concurs with the audit finding.</p> <p>The Department concurs that out of the 22 exceptions identified in the finding, 20 payments were partially or fully unallowable due to incomplete records or billing hour errors. The Department will establish overpayments where appropriate and refer the overpayments to the Office of Financial Recovery for collection.</p> <p>In response to prior audit findings, the Department implemented an electronic attendance system that:</p> <ul style="list-style-type: none"><li>• Enables accurate, real-time recording of child care attendance, tracking of daily attendance, and capturing data on child care usage.</li><li>• Has the ability to support third party electronic attendance systems. The Department continues to add links to more third party systems and improve reporting capabilities.</li><li>• Generates reports that allows the Department to conduct focused audits beginning in April 2019. New and enhanced reports will also be developed by October 2020.</li></ul> <p>The Department has also taken the following actions:</p> <ul style="list-style-type: none"><li>• As of December 2018, required all licensed providers who accept subsidy payments to use the Department’s electronic attendance system or an approved third party system to track attendance.</li><li>• As of August 2019, required all new licensed and license-exempt providers to use the Department’s new electronic system within three full months after being authorized to receive subsidy payment.</li><li>• As of November 2019, updated and published new billing guides to assist providers with understanding billing rules, authorization, and the billing process.</li><li>• As of December 2019, required family, friend and neighbor (FFN) providers to use an electronic attendance system.</li><li>• As of July 2019, implemented rules to address provider and family fraud and intentional program violations, including the following:</li></ul>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	035 (cont'd)	<ul style="list-style-type: none"> <li>○ Provide technical assistance to providers with billing issues and recommend steps to eliminate billing errors.</li> <li>○ Exclude providers with repeat violations from receiving child care subsidy.</li> <li>○ Disqualify providers convicted of fraud from receiving subsidy payments and subsidy benefits.</li> </ul> <p>The auditors reported overpayments due to providers billing for overtime. State law currently requires a policy be in place to also charge overtime to private paying families. As of February 2020, the Department filed proposed rules to eliminate this requirement. The Department anticipates the new rule will be in effect by April 2020, and expects no further associated payment errors will occur for this issue.</p> <p>To continue strengthening internal controls over payments to child care providers, the Department will:</p> <ul style="list-style-type: none"> <li>• Update training curriculum, and require all licensed homes and FFN providers to complete training prior to the expiration of the 2019-2021 tentative agreement with the Service Employees International Union.</li> <li>• Continue to research options for simplifying authorization and billing rules.</li> <li>• Explore options for verifying provider rates and fees.</li> </ul> <p>The Department consults with the U.S. Department of Health and Human Services on audit findings and questioned costs. The audit resolution process includes conducting a case-by-case review and providing additional documentation.</p> <p>The conditions noted in this finding were previously reported in findings 2018-034, 2017-024, 2016-021, 2015-023, 2014-023, 2013-016, 12-28, 11-23, 10-31, 9-12, and 8-13.</p> <p>Completion Date: Estimated June 2021</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2019	036	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls and did not comply with requirements to ensure payroll charges to the Child Care and Development Fund program were allowable and properly supported.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$25,875,872</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$25,875,872	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$25,875,872						
		93.596							
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>During the audit period, semi-annual certifications were not completed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"><li>• Implemented a payroll certification policy effective August 2019.</li><li>• Completed the semi-annual certifications for July 2018 through December 2018.</li><li>• Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate.</li></ul> <p>By June 2020, the Department will complete the semi-annual certifications for January 2019 through December 2019.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>The conditions noted in this finding were previously reported in finding 2018-033.</p>						
		Completion Date:	Estimated June 2020						
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>						

Department of Children, Youth, and Families

Agency 307

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
2019	037	<p>Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with matching requirements for the Child Care and Development Fund.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 93.575 \$440,578 93.596</p> <p>Status: Corrective action not taken</p> <p>Corrective Action: The Department does not concur with the finding.</p> <p>The Department works closely with the Department of Social and Health Services (DSHS) and maintains that both agencies have adequate internal controls in place to ensure compliance with matching requirements of the Child Care and Development Fund grant. There has been no audit exception in this compliance area reported by the State Auditor's Office (SAO) in previous audits.</p> <p>Due to miscommunication between DSHS and SAO on the request for information during audit testing, the Department did not have sufficient time to provide the level of details needed for clear and convincing evidence that the Department complied with the requirement and met the required state match.</p> <p>By April 2020, the Department will work with DSHS to obtain the appropriate documentation to submit to the U.S. Department of Health and Human Services (HHS) that supports the amount of state match reported by the Department.</p> <p>If HHS contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p>Completion Date: Not applicable</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>	

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	038	<p data-bbox="483 422 1463 485">Finding: The Department of Children, Youth, and Families improperly charged \$4,212,863 to the Child Care and Development Fund program.</p> <table border="0" data-bbox="483 512 1463 604"> <tr> <td data-bbox="483 512 617 541">Questioned</td><td data-bbox="672 512 769 541"><u>CFDA #</u></td><td data-bbox="1003 512 1094 541"><u>Amount</u></td></tr> <tr> <td data-bbox="483 541 558 571">Costs:</td><td data-bbox="672 541 753 571">93.575</td><td data-bbox="1003 541 1127 571">\$4,212,863</td></tr> <tr> <td></td><td data-bbox="672 571 753 600">93.596</td><td></td></tr> </table> <p data-bbox="483 638 980 667">Status: Corrective action in progress</p> <p data-bbox="483 695 1463 758">Corrective Action: The Department partially concurs with the finding.</p> <p data-bbox="672 758 1463 856">During the audit period, grant reconciliations were not performed timely because the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees.</p> <p data-bbox="672 884 1463 1073">Since then, the Department has prioritized reconciliations of the Child Care and Development Fund grants. Based on these reconciliations, the Department has identified and made corrections to expenditures to comply with the period of performance requirements. However, these corrections were made outside of the audit period and therefore were not taken into consideration when the auditors concluded audit work and issued this finding.</p> <p data-bbox="672 1100 1463 1226">It should also be noted that due to the late timing of the auditors' request for and review of financial records, the Department was not given sufficient time to complete verification of \$6,591 and concur if this amount was actually charged to the incorrect grant period.</p> <p data-bbox="672 1253 1305 1283">In response to the audit recommendations, the Department:</p> <ul data-bbox="704 1289 1419 1430" style="list-style-type: none"> <li>• Strengthened internal controls to ensure grant expenditures are obligated and liquidated within the grant period of performance.</li> <li>• Completed journal voucher corrections for \$390,574 of expenditures identified as charged to the incorrect grant period.</li> </ul> <p data-bbox="672 1457 1386 1556">By June 2020, the Department will review records for the remaining expenditures identified by the auditors to determine if corrections are necessary.</p> <p data-bbox="672 1583 1463 1682">If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p data-bbox="483 1709 899 1772">Completion Date: Estimated June 2020</p> <p data-bbox="483 1799 1003 1990">Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>	Questioned	<u>CFDA #</u>	<u>Amount</u>	Costs:	93.575	\$4,212,863		93.596	
Questioned	<u>CFDA #</u>	<u>Amount</u>									
Costs:	93.575	\$4,212,863									
	93.596										

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
2019	039	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with health and safety requirements for the Child Care and Development Fund program.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$0</td></tr><tr><td>93.596</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.596	
		<u>CFDA #</u>	<u>Amount</u>						
		93.575	\$0						
		93.596							
		Status:	Corrective action complete						
		Corrective Action:	The Department concurs with the finding and is strongly committed to ensuring the health, safety, and well-being of all children in care.						
		<i>Provider Inspections</i>							
		The Department has taken corrective actions to ensure timely follow-up on health and safety violations identified on the Facility Licensing Compliance Agreement.							
		As of August 2019, the Department:							
<ul style="list-style-type: none"><li>Established three different risk levels for corresponding violations, which require follow-up within specific timelines depending on the level of risk associated with the violations.</li><li>Updated policies and procedures to reflect the new risk-based methodology for ensuring health and safety violations follow-up are conducted timely and are adequately documented.</li></ul>									
As of February 2020, the Department added an enhancement in the new electronic licensing system, WA Compass, to track when follow-up health and safety visits are due.									
<i>Background Checks</i>									
In October 2018, the Department implemented the new background check rules for license-exempt Family, Friends, & Neighbors (FFN) providers. Due to limited staffing resources and high volume of providers, the portable background check (PBC) process often did not commence timely, resulting in delay in processing provider applications. During this period of transition to bring the Department into compliance with changes in the new federal grant reauthorization rules, the Department’s license exempt team would request backdating FFN providers’ payment start date in some instances when their PBC results were returned as approved.									
As of March 2020, the Department has ceased the backdating practice for all new PBCs.									
The Department will consult with the grantor to discuss whether the estimated questioned costs identified in the audit should be repaid.									

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	039 (cont'd)	<p>The conditions noted in this finding were previously reported in findings 2018-035, 2017-025, 2016-022, and 2015-024.</p> <p>Completion Date: March 2020</p> <p>Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	040	Finding:	The Department of Children, Youth, and Families improperly charged \$161,394 to the federal Foster Care grant.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$161,394</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$161,394
		<u>CFDA #</u>	<u>Amount</u>				
		93.658	\$161,394				
		Status:	Corrective action not taken				
		Corrective Action:	<p>The Department does not concur with the audit finding.</p> <p>As of July 1, 2018, the Department took over the responsibilities of managing the Foster Care program from the Department of Social and Health Services.</p> <p>The auditors determined that \$161,394 of federal expenditures were not supported because this amount could not be reconciled between the Department’s provider payment system (SSPS) and the State’s accounting system (AFRS). While SSPS does interface with AFRS, it is not the only payment mechanism utilized when paying for eligible foster care services. As such, there will always be a difference in the total expenditures between the two systems.</p> <p>The Department will consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.</p> <p>The conditions noted in this finding were previously reported in finding 2018-038 and 2017-028.</p>				
		Completion Date:	Not applicable				
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	041	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure direct payroll charges for the foster care grant were allowable and properly supported.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$7,967,305</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$7,967,305
		<u>CFDA #</u>	<u>Amount</u>				
		93.658	\$7,967,305				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p>In response to the audit recommendations, the Department:</p> <ul style="list-style-type: none"><li>• Implemented a payroll certification policy effective August 2019.</li><li>• Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate.</li></ul> <p>The Department is currently working on completing fiscal year 2020 payroll certifications. By June 2020, the Department will complete the semi-annual certifications for July 2018 through June 2019.</p> <p>If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p>				
		Completion Date:	Estimated June 2020				
Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	042	Finding:	The Department of Children, Youth, and Families made improper payments to Foster Care providers.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$4,443,104</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$4,443,104
		<u>CFDA #</u>	<u>Amount</u>				
		93.658	\$4,443,104				
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Department concurs with the audit finding.</p> <p>A new federal law became effective in October 2018 that required all providers to pass fingerprint-based background checks before providing services to clients. Due to stakeholders’ concerns, the Department implemented a provisional hire policy and submitted a waiver request to the Administration for Children and Families (ACH) to seek additional time to comply with the new law. In April of 2019, the request was denied.</p> <p>In response to ACH’s denial of the Department’s waiver request, the Department took the following actions:</p> <ul style="list-style-type: none"><li>• As of July 2019, implemented new policies regarding fingerprint-based background check requirements in accordance with the new federal law requirements.</li><li>• As of September 2019, calculated the amount of improper payments made between October 2018 and June 2019.</li><li>• Submitted a budget request to the Legislature to repay the ineligible reimbursements.</li></ul>				
		Completion Date:	Estimated June 2020				
Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	043	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure it separately identified and reported demonstration project costs.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.658	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department is responsible for managing the state’s Foster Care program since July 2018. As of October 2019, the Department implemented the following corrective actions in response to the prior year’s finding:</p> <ul style="list-style-type: none"><li>Assigned specific system coding in FamLink, the system used to track costs for service payments and contracts. The new codes track payments made for the demonstration project.</li><li>Revised the reporting process to separately identify and report project costs for both the Title IV-E Foster Care program and the demonstration project.</li></ul> <p>The Department will work with the grantor if revisions to prior reports are determined to be necessary.</p> <p>The conditions noted in this finding were previously reported in finding 2018-037.</p>				
		Completion Date:	October 2019				
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>				

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	044	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with some Public Assistance Cost Allocation Plan Requirements.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.658</td><td>\$0</td></tr><tr><td>93.659</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.658	\$0	93.659		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.658	\$0								
		93.659									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department has process and procedures in place for the monthly employee reconciliation of the Random Moment Time Study (RMTS) sampling universe.</p> <p>The audit found the headquarter cost allocation team was following procedures to create and communicate monthly employee reports to the RMTS Coordinators. However, not all RMTS coordinators sent updates to the Program Manager regarding employee changes.</p> <p>In response to the finding, the Department will strengthen internal controls, including monitoring, over the monthly update process to ensure the RMTS sampling populations are complete.</p> <p>By December 2020, the Department will provide training to RMTS coordinators to update understanding of the requirement and emphasize the importance of following procedures regarding the monthly data validation process.</p>								
		Completion Date:	Estimated December 2020								
		Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan													
2019	045	Finding:	The Department of Children, Youth, and Families did not have adequate internal controls over its process to allocate administrative expenditures to federal grants.												
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$0</td></tr><tr><td>93.658</td><td></td></tr><tr><td>93.659</td><td></td></tr><tr><td>93.870</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$0	93.658		93.659		93.870		93.778	
		<u>CFDA #</u>	<u>Amount</u>												
		93.575	\$0												
		93.658													
		93.659													
		93.870													
		93.778													
		Status:	Corrective action complete												
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, documentation for allocating administrative expenditures to federal grants was not properly completed.</p> <p>In response to the audit recommendations, the Department has strengthened internal controls over processing changes to the cost allocation bases in the state accounting system. These included:</p> <ul style="list-style-type: none"><li>• Ensuring segregation of duties for inputting and reviewing of changes.</li><li>• Maintaining adequate and proper documentation to show what updates are made.</li><li>• Providing training to employees on following Department’s policies and procedures to properly allocate costs to the federal government.</li></ul>												
Completion Date:	August 2019														
Agency Contact:	Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a>														

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	046	Finding:	The Department of Health did not have adequate internal controls over and did not comply with requirements to ensure complaints for Medicaid hospitals were responded to promptly.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>The Department is committed to ensuring grant programs comply with state and federal regulations related to assessment of and response to hospital complaints. Program staff hold weekly meetings with the Centers for Medicare and Medicaid Services to discuss complaint cases that are in process.</p> <p>To address the audit recommendations, the Department will:</p> <ul style="list-style-type: none"><li>• Hire and train three additional staff to assist with the complaint intake process for the entire division.</li><li>• Review the current process to identify areas for improvement to ensure hospital complaints are handled promptly and meet federal requirements.</li><li>• Evaluate current policies and procedures to determine if any additional controls need to be implemented.</li></ul>								
		Completion Date:	Estimated January 2021								
		Agency Contact:	Kristina White External Audit Manager PO Box 47890 Olympia, WA 98504-7890 (360) 236-4547 <u>Kristina.White@doh.wa.gov</u>								



Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	047	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with a state law requirement to perform semi-annual data sharing with health insurers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress.								
		Corrective Action:	<p>This finding is based on a specific data exchange method in which most insurance carriers have chosen not to participate and which the Authority has no legal authority to enforce. The auditor recommended the Authority seek and obtain the legal authority through legislation. While it is not within the Authority’s scope of responsibilities to regulate insurance companies, several other methods of data sharing are regularly employed to achieve the goal of identifying third party liability.</p> <p>After last year’s unsuccessful attempt, the Authority again drafted legislation for the 2020 legislative session. House Bill 2677 is a technical correction that modifies existing state law to more appropriately align with state practices.</p> <p>The legislation unanimously passed both the House of Representatives and Senate and was signed into law by the governor on March 27, 2020. The Authority believes this finding will be resolved through the enactment of this new law.</p> <p>The conditions noted in this finding were previously reported in findings 2018-041, 2017-031, 2016-028, 2015-030, 2014-034, 2013-020, 12-49, 11-38, 10-40, 09-19 and 08-25.</p>								
		Completion Date:	Estimated July 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	048	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure certain Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>As of October 2019, the Authority implemented a process that ensures a provider’s risk level is adjusted as required under federal requirements.</p> <p>As of November 2019, the Authority completed screening of all medical providers in accordance with the Affordable Care Act rules, which included:</p> <ul style="list-style-type: none"><li>• All new providers who enrolled within the last five years after November 2014.</li><li>• All existing providers who were last revalidated since November 2014.</li></ul> <p>All providers have been notified of approaching revalidations.</p> <p>By July 2020, the Authority plans to implement the fingerprint-based criminal background check for enrollment applications and revalidations. Additionally, the Authority will conduct fingerprinting on the high risk providers whose risk category is adjusted due to federal requirements.</p> <p>The conditions noted in this finding were previously reported in findings 2018-042, 2017-033, and 2016-035.</p>								
		Completion Date:	Estimated July 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	049	Finding:	The Health Care Authority did not have adequate internal controls to ensure Medicaid expenditures for Children’s Health Insurance Program Funds were allowable.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$4</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$4	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$4								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Authority does not concur with the description or effect of condition of the finding.</p> <p>The auditors determined that the Authority does not conduct a post-eligibility review for coverage under the Children’s Health Insurance Program (CHIP) when a household’s income is below 133 percent of the federal poverty level. There is no such requirement in our federally approved verification plan, and the Authority does not agree that a significant deficiency in internal control exists.</p> <p>The condition that led to the \$4 in unallowable claims for additional CHIP funds was corrected in July 2017.</p> <p>The Authority will consult with the grantor regarding the resolution of the questioned costs.</p> <p>The conditions noted in this finding were previously reported in findings 2018-048, 2017-038, 2016-034, 2015-039, and 2014-037.</p>								
		Completion Date:	Not Applicable								
		Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	050	Finding:	The Health Care Authority made improper Medicaid payments to clients that were not eligible for the Modified Adjusted Gross Income Medicaid program.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$1,589</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$1,589	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$1,589								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority concurs with the findings and will work with the federal grantor to resolve the questioned costs.</p> <p>Additionally, the Authority will :</p> <ul style="list-style-type: none"><li>• Seek the higher federal participation rate for the 17 cases identified in the audit that were claimed to the Medicaid grant instead of the Children’s Health Insurance Program.</li><li>• Ensure post eligibility reviews are completed according to the Authority’s policies and procedures.</li></ul>								
		Completion Date:	Estimated October 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager P.O. Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	051	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with suspension and debarment requirements for Medicaid medical fee-for-service providers.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Authority completed corrective actions to improve internal controls and compliance with the suspension and debarment requirements.</p> <p>As of November 2019, the Authority fully implemented the Automated Provider Screening process to conduct the following monthly database checks for medical providers:</p> <ul style="list-style-type: none"><li>• Excluded Parties List System</li><li>• Federal System for Award Management</li></ul> <p>The Authority will also continue to monitor Managed Care Organizations’ compliance with their contractual requirements to perform these monthly checks.</p> <p>The conditions noted in this finding were previously reported in findings 2018-046 and 2017-037.</p>								
		Completion Date:	November 2019								
		Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	052	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with requirements to ensure reports of potential fraud obtained through the Medicaid Service Verification process were investigated.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority concurs with the finding.</p> <p>The Authority’s Section of Program Integrity responsible for the Medicaid service verification process recently underwent a major reorganization. As a result, the Authority was unable to conduct preliminary investigations due to limited audit and investigation staff.</p> <p>The Authority is currently in the process of reviewing and updating existing policies and procedures to:</p> <ul style="list-style-type: none"><li>• Strengthen internal controls and ensure compliance with federal requirements.</li><li>• Ensure an effective process is in place for conducting preliminary investigations when the Medicaid service verification process identifies potential fraud.</li></ul>								
		Completion Date:	Estimated October 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	053	Finding:	The Health Care Authority, Section of Program Integrity, Audit and Investigations Unit, did not establish adequate internal controls over and did not comply with requirements to identify and refer suspected fraud cases for investigation.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>97.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	97.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		97.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Authority concurs with the finding.</p> <p>The Audit and Investigations Unit underwent two reorganizations in the past few years. Some of the policies and procedures were outdated and did not accurately reflect the Authority’s current audit practices.</p> <p>The Authority is currently in the process of reviewing and updating existing policies and procedures to:</p> <ul style="list-style-type: none"><li>• Strengthen internal controls and ensure compliance with federal requirements.</li><li>• Ensure methods and criteria for identifying and investigating suspected fraud cases are in place.</li><li>• Ensure adequate monitoring is in place for the Audit and Investigations Unit.</li></ul> <p>The conditions noted in this finding were previously reported in finding 2018-047.</p>								
		Completion Date:	Estimated October 2020								
		Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	054	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid payments to supported living providers were allowable and adequately supported.								
		Questioned Costs:	<table><thead><tr><th>CFDA #</th><th>Amount</th></tr></thead><tbody><tr><td>93.775</td><td>\$114,435,961</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></tbody></table>	CFDA #	Amount	93.775	\$114,435,961	93.777		93.778	
		CFDA #	Amount								
		93.775	\$114,435,961								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>The Department uses cost report information to establish rates and determine settlements with supported living providers.</p> <p>During the audit period, the Department was in transition to a new rate methodology:</p> <ul style="list-style-type: none"><li>July 1 to December 31, 2018: based on number of support hours a client needs to live successfully in the community.</li><li>January 1 to June 30, 2019: a tiered rate is assigned based on a client’s support needs.</li></ul> <p><b><i>July 1 to December 31, 2018</i></b></p> <p>For the audit exceptions reported on cost reports, settlements and employee timesheets, the Department disagrees with the cause of condition which stated that the Department did not perform procedures to determine if a client received their assessed level of support hours, or reconcile the payments to provider timesheets.</p> <p>Cost reports are submitted on a calendar year basis. The 2018 cost reports were due on March 31, 2019. As of June 2019, the Department completed an internal audit of all the 2018 cost reports including a comparison to payroll records for the calendar year. The auditors did not evaluate this activity even though it was completed within the audit period.</p> <p>In regards to the auditors’ exceptions of payroll records not supporting direct service hours and more direct service hours paid than reported hours on cost reports, the Department:</p> <ul style="list-style-type: none"><li>Has the authority to reimburse the service provider for services delivered.</li><li>Can grant an exception to the payment rate per established division policy, which included:<ul style="list-style-type: none"><li>Referencing “extraordinary cost” to include overtime costs.</li><li>Approving overtime costs when necessary to adequately support clients’ health and safety needs.</li></ul></li></ul>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	054 (cont'd)	<ul style="list-style-type: none"> <li>Will continue to act within its authority to consider provider circumstances, such as overtime, and grant exceptions as necessary when calculating settlements.</li> </ul> <p><b><i>January 1 to June 30, 2019</i></b></p> <p>The Department strongly disagrees with the audit approach and the auditors' disallowance of all tiered-rate reimbursements for the second half of the fiscal year.</p> <p>The Centers for Medicare and Medicaid Services (CMS) requires a periodic review of rate methodology and the Department's hours-based methodology was established over 10 years ago. With the goal of improving efficiency without losing oversight or monitoring of costs, the Department reviewed various rate methodologies suggested by CMS, and decided on the tiered-rate methodology, which:</p> <ul style="list-style-type: none"> <li>Provides increased flexibility for providers to deliver services.</li> <li>Gives the providers the ability to increase focus on positive client outcomes.</li> <li>Improves the cost reporting process.</li> <li>Reduces unnecessary administrative burdens.</li> </ul> <p>The Department amended the federal waiver to include:</p> <ul style="list-style-type: none"> <li>Description of the tiered rates and the reimbursement methodology.</li> <li>Internal controls for: <ul style="list-style-type: none"> <li>cost reporting</li> <li>payment review</li> <li>rate assessment and budget process</li> </ul> </li> <li>Cost report review process to reflect the tiered-rate methodology.</li> </ul> <p>The tiered rates and amended federal waiver were approved by CMS prior to the January 1, 2019, implementation.</p> <p>The Legislature approved the process where providers prepared and submitted cost reports for each calendar year, and has established strict fiscal requirements to ensure payments are made accurately. This involves routine review of expenditures by budget and rates divisions, resource administrators and the Developmental Disabilities Administration's (DDA) Central Office teams.</p> <p>However, the fiscal year 2019 audit only covered the first six months of the new tiered-rate methodology. Of the \$114,435,961 in questioned costs identified in the audit, \$111,498,751 (97 percent) was based upon services provided from January through June 2019. The Department believes this portion of the questioned costs was the result of an incomplete fiscal review process when the 2019 cost reports are not available until March 2020.</p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	054 (cont'd)	<p data-bbox="673 422 1333 449">During the audit, the Department provided evidence showing:</p> <ul data-bbox="703 464 1446 705" style="list-style-type: none"> <li>• Client service plans had been reviewed and approved by Department staff and clients or their legal representative.</li> <li>• Individual per diem rates met the Department's approval process.</li> <li>• Clients' Individual Instruction and Support Plans, progress notes, goals and objectives were developed and implemented by the provider.</li> <li>• Support services were provided to clients per their assessed needs.</li> </ul> <p data-bbox="673 747 1446 869">The Department would like to note that the documentary evidence provided to the auditors was deemed sufficient in the most recently completed Federal Payment Error Rate Measurement (PERM) audit conducted by CMS. Documents submitted for the PERM audit included:</p> <ul data-bbox="703 884 1097 1050" style="list-style-type: none"> <li>• Daily progress notes</li> <li>• Attendance logs</li> <li>• Worksheets</li> <li>• Service treatment plans and goals</li> <li>• Individual Service Plans</li> </ul> <p data-bbox="673 1087 1446 1176">The Department's system of oversight includes various teams working together to ensure the clients receive the services and support they need, as follows:</p> <ul data-bbox="703 1190 1455 1381" style="list-style-type: none"> <li>• Residential Care Services and DDA staff monitor client services for safety and quality. Evidence of services not being provided will be investigated.</li> <li>• Management Services Division and the DDA Central Office review rates through the Residential Rates for Developmental Disabilities database.</li> </ul> <p data-bbox="673 1423 1433 1512">If the grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p data-bbox="673 1549 1438 1638">The conditions noted in this finding were previously reported in finding 2018-058, 2017-044, 2016-041, 2016-045, 2015-049, 2015-052, 2014-041, 2014-042, 2013-036, 2013-038, and 12-39.</p> <p data-bbox="487 1675 831 1734">Completion Date: Not applicable</p> <p data-bbox="487 1772 1068 1959">Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	055	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.								
		Questioned Costs:	<table><thead><tr><th>CFDA #</th><th>Amount</th></tr></thead><tbody><tr><td>93.775</td><td>\$394,288</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></tbody></table>	CFDA #	Amount	93.775	\$394,288	93.777		93.778	
		CFDA #	Amount								
		93.775	\$394,288								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>Currently, Medicaid claims are processed in two separate payment systems, specifically:</p> <ul style="list-style-type: none"><li>• ProviderOne system for hospitals and long-term care (LTC) facilities where delay in submitting claims is typical, sometimes several months after services have been delivered.</li><li>• IPOne system for individual providers where claims are generally submitted shortly after services are provided.</li></ul> <p>Due to different claim requirements in two payment systems, it is currently impossible to establish an automated process to prevent personal care providers from claiming unallowable costs when clients were hospitalized or in a LTC facility. The Department can only detect duplicate payments after both payments have been made.</p> <p>The Department has the following mitigating controls in place:</p> <ul style="list-style-type: none"><li>• As of November 2018, developed a report to identify payments made to all providers for in-home personal care services and mileage while a client was either hospitalized or admitted to a LTC facility.</li><li>• As of March 2019, implemented a process to review claims made in the prior month and identify potentially unallowable claims. If determined unallowable, these claims are flagged for overpayments.</li><li>• As of January 2020, a functionality was implemented in IPOne to allow the Department to process overpayments.</li></ul> <p>By April 2020, the Department will send written reminders to all individual providers that claiming in-home personal care hours is prohibited while a client is either hospitalized or admitted into a LTC facility.</p> <p>The Department will return the questioned costs to the Department of Health and Human Services for the unallowable claims.</p>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	055 (cont'd)	<p>The conditions noted in this finding were previously reported in finding 2018-050 and 2016-048.</p> <p>Completion Date: Estimated April 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	056	Finding:	The Department of Social and Health Services, Developmental Disabilities Administration, made improper Medicaid payments to individual providers when clients were hospitalized or admitted to long-term care facilities.								
		Questioned Costs:	<table><thead><tr><th>CFDA #</th><th>Amount</th></tr></thead><tbody><tr><td>93.775</td><td>\$37,127</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></tbody></table>	CFDA #	Amount	93.775	\$37,127	93.777		93.778	
		CFDA #	Amount								
		93.775	\$37,127								
		93.777									
		93.778									
		Status:	Corrective action complete								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>Currently, Medicaid claims are processed in two separate payment systems, specifically:</p> <ul style="list-style-type: none"><li>• ProviderOne system for hospitals and long-term care (LTC) facilities where delay in submitting claims is typical, sometimes several months after services have been delivered.</li><li>• IOne system for individual providers where claims are generally submitted shortly after services are provided.</li></ul> <p>Due to different claim requirements in two payment systems, it is currently impossible to establish an automated process to prevent personal care providers from claiming unallowable costs when clients were hospitalized or in a LTC facility. The Department can only detect duplicate payments after both payments have been made.</p> <p>The Department has the following mitigating controls in place:</p> <ul style="list-style-type: none"><li>• As of March 2019, implemented a process to review claims made in the prior month and identify potential unallowable claims. If determined unallowable, these claims are flagged for overpayments.</li><li>• As of January 2020, a functionality was implemented in IOne to allow the Department to process overpayments.</li></ul> <p>The Department will:</p> <ul style="list-style-type: none"><li>• Continue to enhance monitoring procedures to identify unallowable costs.</li><li>• Return the questioned costs for the unallowable claims and associated costs to the Department of Health and Human Services.</li></ul> <p>The conditions noted in this finding were previously reported in finding 2018-051.</p>								
		Completion Date:	January 2020								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	056 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Plan												
2019	057	<p data-bbox="483 422 1468 548">Finding: The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <table border="1" data-bbox="483 579 1122 705"> <tr> <td data-bbox="483 579 610 636">Questioned Costs:</td><td data-bbox="672 579 764 611"><u>CFDA #</u></td><td data-bbox="1003 579 1096 611"><u>Amount</u></td></tr> <tr> <td></td><td data-bbox="672 611 748 642">93.775</td><td data-bbox="1003 611 1122 642">\$2,191,213</td></tr> <tr> <td></td><td data-bbox="672 642 748 674">93.777</td><td></td></tr> <tr> <td></td><td data-bbox="672 674 748 705">93.778</td><td></td></tr> </table> <p data-bbox="483 737 980 768">Status: Corrective action in progress</p> <p data-bbox="483 800 1214 831">Corrective Action: The Department partially concurs with the finding.</p> <p data-bbox="672 863 1406 957">The Department agrees that a person-centered service plan should be signed by the Department, client, and provider responsible for its implementation.</p> <p data-bbox="672 989 1105 1020">However, the Department disagrees that:</p> <ul data-bbox="699 1031 1458 1388" style="list-style-type: none"> <li>• A lack of required signatures on the service plan should result in questioned costs when the client is eligible for the services and the provider is qualified to deliver services. The Centers for Medicare &amp; Medicaid Services (CMS) has also provided guidance to the Department that services should not be terminated if required signatures cannot be obtained.</li> <li>• A service plan that is not signed by a client, a provider, or the Department within 60 days should be considered an exception. The 60-day timeline in the state law outlines an administrative option that could be utilized by the Department to terminate services when deemed necessary.</li> </ul> <p data-bbox="672 1430 1425 1493">The Department also has concerns over the objectives of the additional reviews performed in the fiscal year 2019 audit, as follows:</p> <ul data-bbox="699 1503 1458 1797" style="list-style-type: none"> <li>• The auditors significantly broadened the scope of the audit by including interim assessments, which increased the number of asserted exceptions compared to when only full assessments were included.</li> <li>• The auditors performed follow-up testing on the 59 exceptions previously reported in the fiscal year 2018 audit finding. The auditors subsequently took exceptions on the client service plans that were still not complete for part or all of the current audit period and assigned questioned costs to the current audit finding.</li> </ul> <p data-bbox="737 1829 1468 1986">The Department does not agree that re-testing of the prior year's audit exceptions is valid. By performing audit testing on outdated client service plans included in the prior year's audit, the auditor's approach essentially disregarded the Department's good faith effort in attempting to remediate exceptions from the prior audit.</p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		93.775	\$2,191,213		93.777			93.778	
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>												
	93.775	\$2,191,213												
	93.777													
	93.778													

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	057 (cont'd)	<p>As of June 2019, the Department:</p> <ul style="list-style-type: none"> <li>Revised policies and procedures to require providers' signatures on person-centered service plans.</li> <li>Issued a management bulletin to communicate the updated policies and procedures, and address the use of electronic signature technology in the field.</li> <li>Created a mechanism for case managers to collect signatures on an electronic signature pad. The Department will continue to work with field staff to encourage the use of this technology.</li> <li>Conducted numerous meetings with the directors of Area Agency on Aging to discuss policy changes on service summary signatures and staffing issues caused by the increased workload.</li> </ul> <p>The Department currently included reviewing compliance with signature requirements on client service plans as part of the formal quality assurance (QA) reviews. However, the outcomes of these enhanced QA activities were not reflected in the fiscal year 2019 audit period. By July 2020, the Department will:</p> <ul style="list-style-type: none"> <li>Provide additional training to staff on relevant federal regulations and state policies.</li> <li>Establish guidance on the appropriate use of interim assessments.</li> </ul> <p>The Department will continue to implement process improvement plans. By September 2020, the Department will identify under-performing offices and provide assistance in conducting root-cause analysis. Based on the results, the Department will create a report summarizing statewide trends and develop action steps as needed.</p> <p>By December 2020, the Department will:</p> <ul style="list-style-type: none"> <li>Submit a request in the Governor's budget for: <ul style="list-style-type: none"> <li>Adding dedicated staff to collect signed service plans.</li> <li>Implementing an information technology enhancement that will reduce, but not eliminate, the manual effort necessary to collect signed service plans.</li> </ul> </li> <li>Consult with CMS to determine if person-centered service plans that are missing signatures should result in an unallowable payment. If necessary, the Department will identify associated costs related to any unallowable payments.</li> <li>Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be repaid.</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2018-059 and 2017-045.</p> <p>Completion Date: Estimated December 2020</p>



Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	057 (cont'd)	<p>Completion Date: Estimated December 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan												
2019	058	<p data-bbox="483 422 1468 548">Finding: The Department of Social and Health Services, Developmental Disabilities Administration, did not have adequate internal controls over and did not comply with requirements to ensure Medicaid Community First Choice client service plans were properly approved.</p> <table border="1" data-bbox="483 579 1122 705"> <thead> <tr> <th data-bbox="483 579 610 606">Questioned Costs:</th><th data-bbox="672 579 764 606">CFDA #</th><th data-bbox="1003 579 1096 606">Amount</th></tr> </thead> <tbody> <tr> <td data-bbox="483 611 553 638"></td><td data-bbox="672 611 748 638">93.775</td><td data-bbox="1003 611 1122 638">\$2,169,725</td></tr> <tr> <td data-bbox="483 642 553 669"></td><td data-bbox="672 642 748 669">93.777</td><td></td></tr> <tr> <td data-bbox="483 674 553 701"></td><td data-bbox="672 674 748 701">93.778</td><td></td></tr> </tbody> </table> <p data-bbox="483 741 980 768">Status: Corrective action in progress</p> <p data-bbox="483 804 1214 831">Corrective Action: The Department partially concurs with the finding.</p> <p data-bbox="672 863 1406 953">The Department agrees that a person-centered service plan should be signed by the Department, client, and provider responsible for its implementation.</p> <p data-bbox="672 989 1105 1016">However, the Department disagrees that:</p> <ul data-bbox="703 1031 1458 1381" style="list-style-type: none"> <li data-bbox="703 1031 1458 1213">• A lack of required signatures on the service plans should result in questioned costs when the client is eligible for the services and the provider is qualified to deliver services. The Centers for Medicare &amp; Medicaid Services (CMS) has also provided guidance to the Department that services should not be terminated if required signatures cannot be obtained.</li> <li data-bbox="703 1230 1458 1381">• A service plan that is not signed by a client, a provider, or the Department within 60 days should be considered an exception. The 60-day timeline in the state law outlines an administrative option that could be utilized by the Department to terminate services when deemed necessary.</li> </ul> <p data-bbox="672 1425 1468 1482">The Department also has the following concerns over the objectives of the additional reviews performed in the fiscal year 2019 audit, as follows:</p> <ul data-bbox="703 1497 1463 1818" style="list-style-type: none"> <li data-bbox="703 1497 1463 1650">• The auditors performed follow-up testing on the exceptions previously reported in the fiscal year 2018 audit finding. The auditors subsequently took exceptions on the client service plans that were still not complete for part or all of the current audit period and assigned questioned costs to the current audit finding.</li> <li data-bbox="703 1667 1463 1818">• The Department does not agree that re-testing of the prior year's audit exceptions is valid. By performing audit testing on outdated client service plans included in the prior year's audit, the auditor's approach essentially disregarded the Department's good faith effort in attempting to remediate exceptions from prior audit.</li> </ul> <p data-bbox="672 1862 1451 1953">Currently, the Department has the following quality assurance process in place to monitor compliance in obtaining required signatures on person-centered service plans:</p>	Questioned Costs:	CFDA #	Amount		93.775	\$2,169,725		93.777			93.778	
Questioned Costs:	CFDA #	Amount												
	93.775	\$2,169,725												
	93.777													
	93.778													

Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	058 (cont'd)	<ul style="list-style-type: none"> <li>• The Quality Compliance Coordination team reviews a statewide sample for required signatures or documented attempts to obtain signatures.</li> <li>• The review measures statewide proficiency for obtaining required signatures in an established annual cycle. If the review finds a proficiency rate below 86 percent, the Department will implement a quality improvement plan to improve statewide performance.</li> <li>• Case manager supervisors monitor compliance by ensuring all case managers meet the requirement of obtaining signatures through all available department-approved options.</li> </ul> <p>The Department will continue to work towards implementing the electronic signature option.</p> <p>By December 2020, the Department will:</p> <ul style="list-style-type: none"> <li>• Consult with CMS to determine if person-centered service plans that are missing signatures should result in unallowable payments. If necessary, the Department will identify associated costs related to any unallowable payments.</li> <li>• Work with the U.S. Department of Health and Human Services to determine if any costs charged to Medicaid funds must be reimbursed</li> </ul> <p>The conditions noted in this finding were previously reported in finding 2018-060 and 2017-046.</p> <p>Completion Date: Estimated December 2020</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	059	<p>Finding:</p>	<p>The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid Community First Choice individual providers had proper background checks.</p>								
		<p>Questioned Costs:</p>	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$42,603</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$42,603	93.777		93.778	
<u>CFDA #</u>	<u>Amount</u>										
93.775	\$42,603										
93.777											
93.778											
		<p>Status:</p>	<p>Corrective action complete</p>								
		<p>Corrective Action:</p>	<p>The Department partially concurs with the finding.</p> <p>The Department concurs there were three instances when a fingerprint background check was not performed within the required timeframe.</p> <ul style="list-style-type: none"><li>For those three cases, fingerprint background checks were completed and no disqualifying crimes were found.</li><li>The Department feels that the 98 percent compliance rate reflected in the audit testing results provided assurances that current policies are effective.</li><li>The Department will continue to follow established processes to materially ensure Community First Choice individual providers have proper background checks.</li></ul> <p>The Department concurs there were three instances where the renewal of background checks were not completed within the exact two-year timeframe.</p> <ul style="list-style-type: none"><li>The two-year renewal time-frame is only noted in the Department policy. There are no federal or state laws that state an individual provider will become unqualified if a background check is not rerun within two years.</li><li>The three individual providers with late renewal checks did not have disqualifying crimes at any point during the audit period.</li></ul> <p>The Department does not concur that the one exception where the absence of a formal Proficiency Improvement Plan (PIP) represented a material weakness. In this instance, instead of the standard PIP process, the Department held an in-person consultation with the specific Area Agency on Aging (AAA) to address contractual compliance issues and significant staff turnover problem.</p> <ul style="list-style-type: none"><li>As of September 2019, the AAA corrected the background check deficiency following Department guidance.</li><li>The Department will continue to review internal policies and controls and to ensure compliance with background check requirements.</li></ul>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	059 (cont'd)	<p>The Department will identify questioned costs related to unallowable payments for personal care services, and will work with the U.S. Department of Health and Human Services to return questioned costs.</p> <p>The conditions noted in this finding were previously reported in finding 2018-056, 2017-049, 2016-040, 2015-040, 2014-049, 2013-40, 12-41, and 11-34.</p> <p>Completion Date: September 2019</p> <p>Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	060	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls to ensure Medicaid payments to home care agencies were allowable.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>Area Agencies on Aging (AAA) monitor home care agencies (HCAs) for contractual compliance in many areas, including verification of time and task performance. In response to the prior year’s audit finding, the Department modified the tool provided to AAAs for more effectively monitoring HCAs’ compliance with electronic timekeeping contractual requirements.</p> <p>The Aging and Long-Term Support Administration State Unit on Aging (SUA) reviews a random sample of HCAs to determine if the AAA monitored and reviewed compliance with the electronic time keeping requirements as outlined in the HCA Monitoring Tool.</p> <p>The Department maintains that the monitoring by the AAA and SUA is adequate to provide assurance that Medicaid payments to home care agencies were allowable.</p> <p>Additionally, the fiscal year 2019 audit did not identify any exceptions related to electronic time keeping compliance, which provided further evidence that the current internal controls implemented by the Department are working as intended.</p> <p>The conditions noted in this finding were previously reported in finding 2018-054.</p>								
		Completion Date:	Not applicable								
		Agency Contact:	<p>Rick Meyer</p> <p>External Audit Compliance Manager</p> <p>PO Box 45804</p> <p>Olympia, WA 98504-5804</p> <p>(360) 664-6027</p> <p><u>Richard.Meyer@dshs.wa.gov</u></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	061	Finding:	The Department of Social and Health Services, Aging and Long-Term Support Administration, did not have adequate internal controls over and did not comply with survey requirements for Medicaid intermediate care facilities.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action not taken								
		Corrective Action:	<p>The Department does not concur with the finding.</p> <p>The Department maintains adequate internal controls to ensure survey requirements for Medicaid intermediate care facilities are met. The Department uses a tracking spreadsheet to monitor and track the frequency of facilities' recertification surveys to meet the survey timeline for both federal and state requirements.</p> <p>The auditors identified one facility for which the Department did not complete a recertification survey within the federally required 15.9 month survey interval. This facility was under an 11-month alternate sanction of a Denial of Payments for New Admissions effective September 13, 2017. The due date for the facility's recertification survey fell within this 11-month sanction, during which the Department waited for the facility to submit a credible allegation of compliance indicating the deficiencies that led to the alternate sanction had been corrected.</p> <p>The Department received the facility's letter of credible allegation on August 1, 2018, and subsequently conducted a revisit survey on August 6, 2018, confirming that the facility achieved substantial compliance. The Department completed the facility's recertification survey two days later.</p> <p>Effective January 1, 2019, the facility voluntarily terminated participation from the Medicaid program.</p> <p>The conditions noted in this finding were previously reported in findings 2018-052, 2017-042, 2016-037, 2015-045, and 2014-046.</p>								
		Completion Date:	Not applicable								
		Agency Contact:	Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	062	Finding:	The Department of Social and Health Services, Aging and Long-Term Support and Developmental Disabilities Administrations, did not have adequate internal controls over and did not comply with requirements to ensure some Medicaid providers were revalidated every five years or that screening and fingerprint-based criminal background check requirements were met.								
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.775	\$0	93.777		93.778	
		<u>CFDA #</u>	<u>Amount</u>								
		93.775	\$0								
		93.777									
		93.778									
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding and has taken the following corrective actions:</p> <ul style="list-style-type: none"><li>As of November 2017, developed a process to screen and track each nursing facility contract to ensure validation and revalidation occurs within the five-year requirement. All nursing facility screenings were completed as of September of 2018.</li><li>As of October 2018, implemented the new automated provider screening process in the Agency Contracts Database (ACD). The new process includes an internal control that prevents a new or renewal Medicaid contract to be approved or signed before the screening process is successfully completed in ACD. No exceptions were identified in the fiscal year 2019 audit after the implementation of the new screening process.</li><li>As of January 2020, notified local offices of the revalidation exceptions and communicated the need to ensure valid photo identification and authorization to work in the U.S. is maintained in the provider file. Local offices subsequently remediated the exceptions.</li></ul> <p>By July 2020, the Department will develop processes to:</p> <ul style="list-style-type: none"><li>Adjust the provider risk level when the overpayment threshold is met or if there is a Medicaid fraud referral.</li><li>Conduct fingerprint-based criminal background checks for high-risk providers.</li></ul> <p>The Department anticipates the finding will be resolved once all existing contracts are renewed through the automated provider screening process.</p> <p>The conditions noted in this finding were previously reported in finding 2018-057.</p>								
		Completion Date:	Estimated July 2020								

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
2019	062 (cont'd)	Agency Contact: Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a>

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
2019	063	Finding:	The Department of Social and Health Services did not report fraud affecting the Medicaid program to the federal grantor.								
		Questioned Costs:	<table><thead><tr><th>CFDA #</th><th>Amount</th></tr></thead><tbody><tr><td>93.775</td><td>\$0</td></tr><tr><td>93.777</td><td></td></tr><tr><td>93.778</td><td></td></tr></tbody></table>	CFDA #	Amount	93.775	\$0	93.777		93.778	
CFDA #	Amount										
93.775	\$0										
93.777											
93.778											
		Status:	Corrective action in progress								
		Corrective Action:	<p>The Department concurs with the finding.</p> <p>In July 2011, the Department transferred responsibility for the Medicaid program to the Health Care Authority (HCA). Prior to this transfer, the Department reported Medicaid fraud to the federal grantor.</p> <p>After the transfer, the Department provided Medicaid fraud information to HCA upon request on an annual basis. However, the Department has not received any recent requests resulting in no Medicaid fraud cases being reported to the federal government.</p> <p>As of March 2020, the Department notified the Office of the Inspector General of the six cases identified in the fiscal year 2019 audit.</p> <p>By June 2020, the Department will initiate conversations with HCA to determine:</p> <ul style="list-style-type: none"><li>• Which agency should be responsible for reporting confirmed fraud to the federal grantor.</li><li>• The frequency of reporting.</li></ul>								
		Completion Date:	Estimated June 2020								
		Agency Contact:	<p>Rick Meyer External Audit Compliance Manager PO Box 45804 Olympia, WA 98504-5804 (360) 664-6027 <a href="mailto:Richard.Meyer@dshs.wa.gov">Richard.Meyer@dshs.wa.gov</a></p>								

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	064	Finding:	The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the State Opioid Response Grants were allowable and met period of performance requirements.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.788</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.788	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.788	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Authority concurs with the finding.</p> <p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the State Opioid Response Grant.</p> <p>Due to insufficient resources to effectively support the transfer of all grant management tasks, other accounting units assisted the program’s accounts payable unit in processing a backlog of payments. During this period, some of the established procedures to ensure payments include proper approvals were not followed.</p> <p>As of August 2019, the Authority increased the staffing level of the accounts payable unit from three to six.</p>				
		Completion Date:	August 2019				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	065	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the State Opioid Response Grants received required audits.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.788</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.788	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.788	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the State Opioid Targeted Response grant program.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"><li>Assessing and updating policies and procedures related to subrecipient monitoring</li><li>Strengthening internal controls to ensure:<ul style="list-style-type: none"><li>Subrecipients submit required audits.</li><li>Subrecipients take timely actions on all deficiencies identified from audits or onsite reviews.</li><li>All audit findings and corrective action plans are tracked and management decisions are issued promptly.</li></ul></li></ul> <p>The Authority will ensure the subrecipient monitoring workgroup continues and the audit findings are addressed.</p>				
		Completion Date:	Estimated October 2020				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	066	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subrecipients of the Opioid State Targeted Response grant received required risk assessments.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.788</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.788	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.788	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the Opioid State Targeted Response grant program.</p> <p>The Authority has already taken steps to address the audit recommendations including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"><li>Assessing and updating policies and procedures related to subrecipient monitoring.</li><li>Strengthening internal controls to ensure:<ul style="list-style-type: none"><li>Monitoring is in place to ensure risk assessments are performed for all subrecipients.</li><li>Results of risk assessments are used to determine the type and level of monitoring to be performed for subrecipients.</li></ul></li></ul> <p>The Authority will ensure the subrecipient monitoring workgroup continues and the audit findings are addressed.</p>				
		Completion Date:	Estimated October 2020				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan						
2019	067	<p data-bbox="483 422 1469 548">Finding: The Department of Children, Youth, and Families did not have adequate internal controls over and did not comply with requirements to ensure payroll costs charged to the Maternal, Infant, and Early Childhood Home Visiting grant were allowable and properly supported.</p> <table border="0" data-bbox="483 583 1469 653"> <tr> <td data-bbox="483 583 613 615">Questioned Costs:</td><td data-bbox="672 583 769 615"><u>CFDA #</u></td><td data-bbox="1003 583 1101 615"><u>Amount</u></td></tr> <tr> <td></td><td data-bbox="672 615 769 646">93.870</td><td data-bbox="1003 615 1101 646">\$274,287</td></tr> </table> <p data-bbox="483 682 982 714">Status: Corrective action in progress</p> <p data-bbox="483 749 1469 940">Corrective Action: The Department concurs with the finding.  During the audit period, the Department had to focus resources on transitioning two major federal programs and the onboarding of approximately 1,500 employees. Due to limited staffing resources, semi-annual certifications were not completed timely.</p> <p data-bbox="672 976 1469 1224">In response to the audit recommendations, the Department:</p> <ul data-bbox="699 1014 1469 1224" style="list-style-type: none"> <li>• Implemented a payroll certification policy effective August 2019.</li> <li>• Began working on completing fiscal year 2020 payroll certifications.</li> <li>• Strengthened internal controls over processing position coding changes to ensure direct charges to federal grants are allowable and accurate.</li> </ul> <p data-bbox="672 1260 1469 1438">By June 2020, the Department will:</p> <ul data-bbox="699 1297 1469 1438" style="list-style-type: none"> <li>• Complete the semi-annual certifications for July 2018 through June 2019.</li> <li>• Provide training to program and cost allocation employees on the proper completion of timesheets and journal vouchers.</li> </ul> <p data-bbox="672 1474 1469 1575">If the federal grantor contacts the Department regarding questioned costs that should be repaid, the Department will confirm these costs and will take appropriate action.</p> <p data-bbox="483 1610 898 1671">Completion Date: Estimated June 2020</p> <p data-bbox="483 1707 1003 1896">Agency Contact: Stefanie Niemela Audit Liaison PO Box 40970 Olympia, WA 98504 (360) 725-4402 <a href="mailto:stefanie.niemela@dcyf.wa.gov">stefanie.niemela@dcyf.wa.gov</a></p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		93.870	\$274,287
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>						
	93.870	\$274,287						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	068	Finding:	The Health Care Authority did not have adequate internal controls to ensure payments made to providers under the Block Grants for Prevention and Treatment of Substance Abuse were allowable and met earmarking requirements.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.959</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.959	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.959	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Authority concurs with the audit finding.</p> <p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse programs.</p> <p>Due to insufficient resources to effectively support the transfer of all grant management tasks, other accounting units assisted the program’s accounts payable unit in processing a backlog of payments. During this period, some of the established procedures to ensure payments include proper approvals were not followed.</p> <p>As of August 2019,the Authority:</p> <ul style="list-style-type: none"><li>• Increased the staffing level of the accounts payable unit from three to six.</li><li>• Created and staffed a new Grants Management unit, and identified staff specifically responsible for monitoring and managing the fiscal requirements of all federal grants administered by the Authority.</li><li>• Implemented a process to manage the earmarking requirement at an aggregate level. The Grants Management unit will monitor and adjust expenditures if needed to ensure compliance.</li></ul>				
		Completion Date:	August 2019				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	069	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal level of effort requirements for the Block Grants for Prevention and Treatment of Substance Abuse program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.959</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.959	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.959	\$0				
		Status:	Corrective action complete				
		Corrective Action:	<p>The Authority concurs with the finding.</p> <p>In July 2018, the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse program was transferred from the Department of Social and Health Services to the Authority. During the program transition, the Authority identified some qualifying state expenditures not included in the maintenance of effort (MOE) for fiscal year 2018. This information was subsequently communicated to the auditors during fieldwork.</p> <p>As of January 2020, the Authority adjusted the fiscal year 2019 expenditures to meet the MOE requirement.</p> <p>During 2019, the Authority implemented the following internal controls to strengthen compliance with the federal level of effort requirements:</p> <ul style="list-style-type: none"><li>• Created and staffed a new unit for grants management.</li><li>• Identified staff specifically responsible for monitoring and managing the MOE requirements of all federal grants administered by the Authority.</li><li>• Implemented procedures to track pertinent MOE requirements and consistently monitor balances.</li><li>• Established reporting procedures of MOE information to the relevant program and financial services management teams.</li></ul>				
		Completion Date:	January 2020				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						



Fiscal Year	Finding Number	Finding and Corrective Action Plan					
2019	070	Finding:	The Health Care Authority did not have adequate internal controls over and did not comply with federal requirements to ensure subawards of Block Grants for Prevention and Treatment of Substance Abuse contained all required information.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.959</td><td>\$0</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.959	\$0
		<u>CFDA #</u>	<u>Amount</u>				
		93.959	\$0				
		Status:	Corrective action in progress				
		Corrective Action:	<p>In July 2018, the Division of Behavioral Health and Recovery transitioned from the Department of Social and Health Services to the Authority. The Authority assumed the responsibilities over the operations and management of the Block Grants for Prevention and Treatment of Substance Abuse.</p> <p>The Authority has already taken steps to address the audit findings including establishing an agency-wide subrecipient monitoring workgroup to define roles and responsibilities for:</p> <ul style="list-style-type: none"><li>Assessing and updating policies and procedures related to subrecipient monitoring.</li><li>Strengthening internal controls to ensure:<ul style="list-style-type: none"><li>Subrecipients are accurately classified during the contract review and approval process.</li><li>All required information is included when subawards are issued.</li></ul></li></ul> <p>The Authority will ensure the subrecipient monitoring workgroup continues and the audit findings are addressed.</p>				
		Completion Date:	Estimated October 2020				
Agency Contact:	Keri Kelley External Audit Compliance Manager PO Box 45502 Olympia, WA 98504-5502 (360) 725-9586 <a href="mailto:keri.kelley@hca.wa.gov">keri.kelley@hca.wa.gov</a>						

## 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 State, 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>