

# PERFORMANCE AUDIT



Office of the  
Washington  
State Auditor  
Pat McCarthy

## Assessing the Department of Commerce's Management of the Digital Navigator Program

January 27, 2026

Report Number: 1038954

# Table of Contents

Executive Summary_____	4
Background_____	7
Audit Results_____	11
Without proper grant management practices in place at Commerce, the Digital Navigator program lacked effective oversight at multiple levels_____	11
State Auditor’s Conclusions_____	22
Recommendations_____	23
Agency Response_____	25
Appendix A: Initiative 900 and Auditing Standards_____	33
Appendix B: Objectives, Scope and Methodology_____	36

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**Note about Department of Commerce leadership during the time periods discussed in this audit**

Because Commerce has experienced significant leadership turnover, both before and during the course of this audit, we want to clearly define the audit period and the leadership in place during that time. This audit reviewed the agency’s management of its Digital Navigator Program from October 2021 through July 2025. When this report refers to “leadership at the time,” it is referring specifically to the two directors leading the agency between February 2019 and December 2024.

# Executive Summary

## State Auditor's Conclusions (page 22)

This performance audit report serves as a case study in how neglecting the fundamental tenets of government accountability can sabotage even the most noble goals.

Access to the internet and the skills to use it are essential in modern life. The Digital Navigator program within the Department of Commerce was a key part of the state's effort to help underserved communities access and navigate online services.

In my view, this report details failures in the management of this program so pervasive they go beyond a lack of basic internal controls. There is no excuse for the myriad actions taken at the time by management at the Department of Commerce, who were tasked with overseeing \$92.5 million in public funds for the Digital Navigator program alone.

As this report details, the department used a questionable process to award program grants. The contracts the agency completed with grantees lacked clear responsibilities. The agency did not vet grantees or their subgrantees properly. It did not track their performance. It did not hold grantees to basic requirements for payments. When department staff raised concerns about reimbursing grantees without evidence of services provided, they were overruled by leadership in place at the time. In addition, a program staff member took employment with a grantee, a potential violation of state rules that requires us to forward this report to the State Ethics Board.

It must be noted that these findings reinforce the conclusions of other recent audits of Commerce, including an accountability audit of the Digital Navigator program that found insufficient documentation for nearly \$11 million in reimbursements to a single grantee.

The Digital Navigator program is not funded in the current biennium. Nonetheless, this report includes recommendations to help Commerce improve its management of grants overall. A companion report offers recommendations for building a successful state digital equity plan, should Washington reinvigorate its efforts. And I have personally been heartened by the commitment to accountability shown by the agency's new leadership this year.

Government accountability, including accountability for grantees, improves results and maintains public trust – trust that I am afraid will be undermined by the severity of the findings we must report here.

## Background (page 7)

Access to the internet and the skills to use it are essential in modern life for work and school, accessing health care, paying for services, connecting with family and friends, and civic and economic participation. In 2019, the Legislature established the Washington State Broadband Office in the Department of Commerce, with the goal of promoting greater public access to broadband internet and achieving faster download/upload speeds for homes, businesses and communities. Among the most prominent of the Broadband Office's programs was the Digital Navigator program. The program issued grants to deliver education, support and assistance to those who would otherwise struggle to use and access the internet. The program ceased operations at the end of July 1, 2025, after Gov. Bob Ferguson vetoed its funding from the 2025-27 Operating Budget passed by the Legislature. The veto acknowledged that digital navigator services are worthwhile while citing fiscal constraints.

During outreach interviews, many people involved in digital equity work in Washington, including legislators and those at organizations involved in digital equity work, expressed concerns about the sudden funding surge and grants going to groups lacking digital equity expertise. They stressed the need for digital access and skills and called for better oversight of spending. Further, our Office's accountability audits of the program found issues with grant oversight. Because of the concerns raised about the program, we decided that examining the program's management would provide useful information for digital equity efforts in the future as well as for Commerce's management of other grant programs. This report is a companion to a broader consideration of Washington's state's digital equity strategy.

## Without proper grant management practices in place at Commerce, the Digital Navigator program lacked effective oversight at multiple levels (page 11)

Commerce neither adopted state-recommended contract management practices nor developed its own. Given the absence of internal rules and guidance, auditors relied on leading practices and existing advice from the state's Office of Financial Management or the Department of Enterprise Services to compare our expectations to what we found. Our discoveries included:

1. Commerce did not consistently use competitive processes to award or expand grant funds.

2. Commerce did not properly vet direct grantees and subgrantees to help ensure funds were used for intended purposes.
3. Digital Navigator program contracts lacked clear, specific information addressing grantee and subrecipient responsibilities and compliance.
4. Commerce also did not effectively manage or monitor grantees' performance.
5. The program's contracts and other guidance from Commerce lacked sufficient oversight requirements related to reimbursement for grantees.

In addition, agency executives in place at the time ignored state rules as well as their own managers' concerns about grant decisions. New leadership at Commerce said the agency has already begun improving accountability systems.

## Recommendations (page 23)

We made a series of recommendations to the Department of Commerce to strengthen grant management practices, including establishing clearer procedures around contract expansion, reimbursement, eligibility verification, data collection and performance management. We also recommended the agency make improvements in staff training, oversight and leadership responsibilities. Additionally, we reenforced recommendations issued in our 2025 accountability audit to improve controls and oversight within the Digital Navigator and similar programs.

### Next steps

Our performance audits of state programs and services are reviewed by the Committee to Hear SAO Performance Audits and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the Office of the State Auditor will review this audit with committee members in Olympia. The public will have the opportunity to comment at this hearing. Please check the committee's website for the exact date, time and location (<https://leg.wa.gov/about-the-legislature/committees/joint/sao-audit-committee/>). Our Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion. See **Appendix A**, which addresses the I-900 areas covered in the audit. **Appendix B** contains information about our methodology.

# Background

## The state prioritized digital equity through the passage of the Digital Equity Act

Access to the internet and the skills to use it are essential in modern life for work and school, accessing health care, paying for services, connecting with family and friends, and civic and economic participation. Digital equity means that everyone has the required access and skills to use the internet.

To achieve digital equity, all people and businesses need these four elements:

- Available and affordable *high-speed internet access*
- Available and affordable *internet-enabled devices*
- Online public resources and internet-enabled devices that are *accessible and inclusive*
- *Skills* to use digital technology

In 2022, Washington's Legislature passed the state's Digital Equity Act. Its provisions aim to eliminate digital barriers faced by underserved populations by improving access to and affordability of internet services, devices and training. Also in 2022, Gov. Inslee issued Executive Order 22-04, declaring that the state recognizes digital access and literacy as one of 15 determinants of social equity. It underscored the state's intention to eliminate disparities in social equity – including in digital access – to achieve better outcomes for Washingtonians.

## The Department of Commerce takes the lead on many Washington digital equity projects

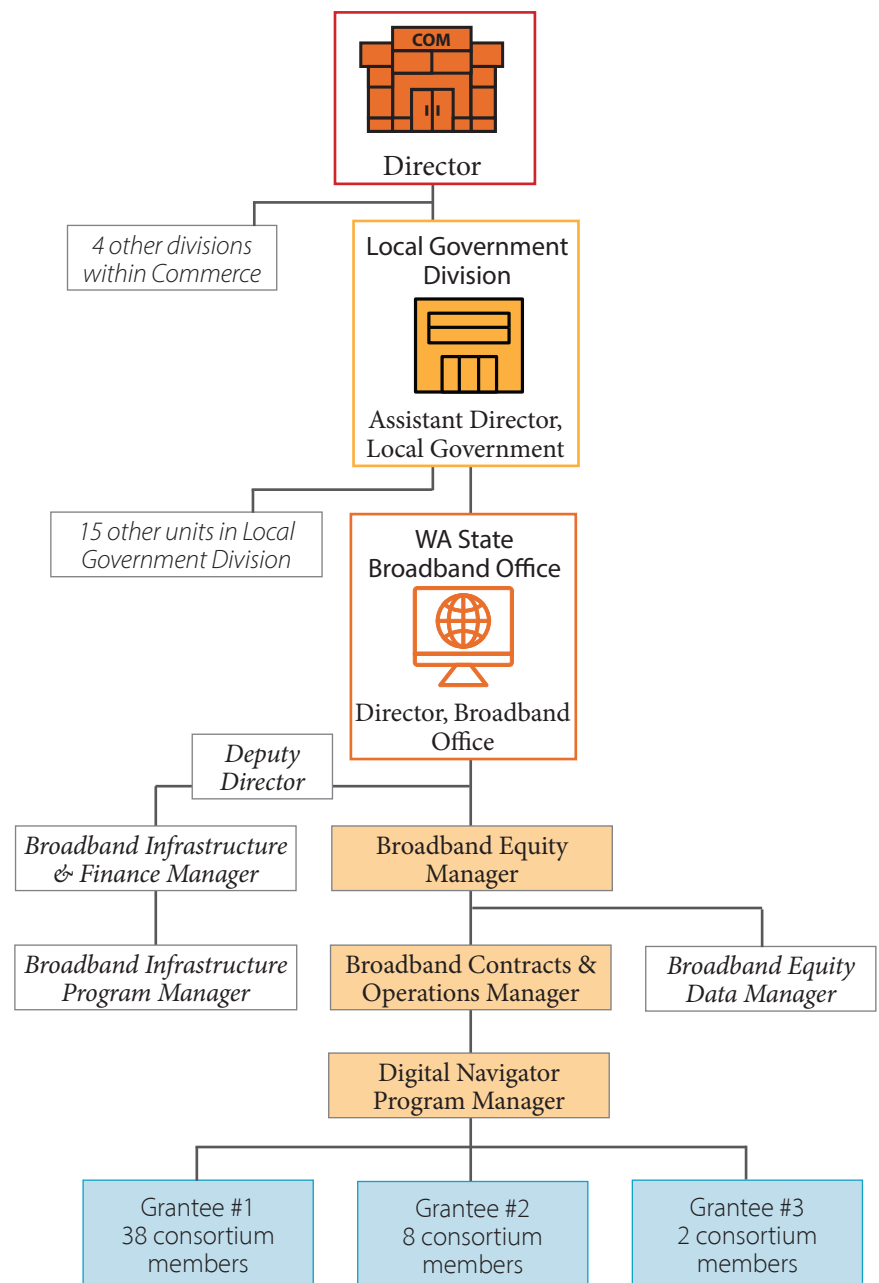
In 2019, the Legislature established the Washington State Broadband Office in the Department of Commerce, with the goal of promoting greater public access to broadband internet and achieving faster download/upload speeds for homes, businesses and communities. To address the goal of access, the Broadband Office has two key functions: one focused on expanding broadband infrastructure across Washington, and the other dedicated to advancing broadband access and equity through targeted programs and projects.

The Broadband Office, housed within Commerce’s Local Government Division and led by a Governor-appointed director, serves as the state’s central driver of broadband expansion. Through broad authority and cross-sector coordination, the office shapes policy, infrastructure, funding and outreach – playing a critical role in closing the digital divide, particularly in rural and underserved communities.

## One of the key programs administered by the Broadband Office was the Digital Navigator program

The Digital Navigator program was established to expand equitable access to essential online services. It was created in response to legislation that provided funding to Commerce for grants supporting digital navigator services, internet-enabled devices and internet subscriptions. The program was designed to provide one-on-one assistance for people with limited access to many types of other services beyond internet access, including job seekers, Medicaid clients and those experiencing poverty. To achieve these goals, the Broadband Office distributed grant funds directly to organizations or to consortiums that then awarded money to subgrantees. Through this program Commerce issued contracts to three consortiums and 15 Native American tribes, as well as two state agencies through interagency agreements. **Exhibit 1** shows the relationship of the Broadband Office to the programs that were operational in January 2025.

**Exhibit 1 – Organizational structure of Commerce, including Broadband Office, Digital Navigator program and its grantees**



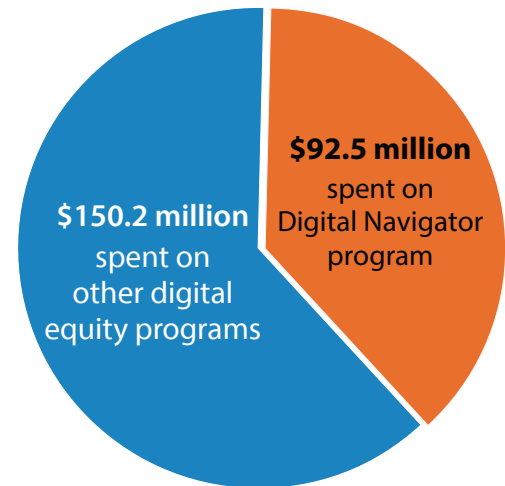
Source: Auditor prepared from Commerce documentation.

For two and a half years, the Digital Navigator program was one of the state's key digital equity efforts, receiving more than one-third of the Broadband Office's state funding for such programs from fiscal years 2022 through 2025. Commerce reported that this program received \$92.5 million (38%) of the \$242.7 million in funding dedicated for digital navigation and expanding broadband access and availability, shown in Exhibit 2.

### However, the Digital Navigator program was closed after 42 months

The Broadband Office developed and processed the first request for grant proposals for this program in January 2022. The program ceased operations on July 1, 2025, after Gov. Bob Ferguson vetoed its funding from the state's 2025-27 operating budget. The veto acknowledged that digital navigator services are worthwhile while citing fiscal constraints.

### Exhibit 2 – 38% of state money spent by Commerce on digital equity was directed to the Digital Navigator program FY 2022-FY 2025



Source: Department of Commerce.

## Stakeholders and a previous accountability audit raised concerns about the Digital Navigator program

The landscape of digital equity work in Washington covers a wide range of activities and interests, with the Digital Navigator program at Commerce considered a keystone in the state's efforts. Nonetheless, many people involved in digital equity work in Washington, including legislators and those at organizations involved in digital equity work, expressed concerns about the sudden funding surge and grants going to groups lacking digital equity expertise. They stressed the need for digital access and skills and called for better oversight of spending.

Our Office's 2024 accountability audit of Commerce revealed gaps in grant oversight within the Digital Navigator program, leading to approval of nearly \$1,600 in unallowable expenses, including purchases such as food and a cell phone case. Of even greater concern, our 2025 accountability audit found the program paid \$10.7 million for costs that auditors could not confirm were allowable under state rules. (Read both reports on our website, linked in the sidebar.)

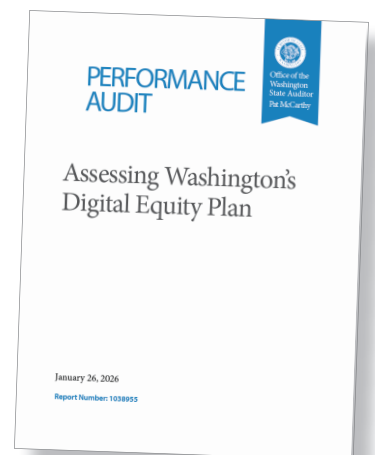
<p>Accountability Audit Report Washington State Department of Commerce For the period July 1, 2022 through June 30, 2023</p> <p>Published November 25, 2024 Report No. 1036021</p>	<p>Accountability Audit Report Washington State Department of Commerce For the period July 1, 2023 through June 30, 2024</p> <p>Published August 11, 2025 Report No. 1037901</p>
<p>Read the 2024 Accountability report on our website: <a href="https://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1036021&amp;isFindin g=false&amp;sp=false">portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1036021&amp;isFindin g=false&amp;sp=false</a></p>	<p>Read the 2025 Accountability report on our website: <a href="https://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1037901&amp;isFindin g=false&amp;sp=false">portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1037901&amp;isFindin g=false&amp;sp=false</a></p>

## This audit examined Commerce’s operation of the Digital Navigator program

Early in our audit work, the repeated concerns raised about the Digital Navigator program led us to decide that examining the management of this program, even though it had the potential to be discontinued, would provide useful information for digital navigator efforts in the future. This audit thus focused specifically on the Digital Navigator program and its oversight of the three primary grantees, each of which operates as a consortium. The results of our evaluation of the Digital Navigator program can inform Commerce’s management of many other programs that award public money to third parties. For these reasons, this audit answered the second of these three original questions:

1. Does the state have a comprehensive strategy to reduce digital disparities and effectively connect Washingtonians to technology resources?
2. Could digital equity programs and initiatives be better coordinated to enhance efficiency, optimize funding and effectively serve Washingtonians?
3. Has the state clearly assigned and managed roles and responsibilities for advancing digital equity?

This report is a companion to a broader audit of Washington’s state’s digital equity strategy, which identified Washington’s successes and opportunities for improvement in this area. (Read that report on our website, linked in the sidebar.)



Read the report *Assessing Washington's Digital Equity Plan* on our website: [portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1038955&isFinding=false&p=false](https://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1038955&isFinding=false&p=false)

# Audit Results

## Without proper grant management practices in place at Commerce, the Digital Navigator program lacked effective oversight at multiple levels

### Results in brief

Commerce neither adopted state-recommended contract management practices nor developed its own. As a result, Commerce did not consistently use competitive processes to award or expand grant funds nor properly vet direct grantees and subgrantees to help ensure funds were used for intended purposes. In addition, the Digital Navigator program contracts lacked clear, specific information addressing grantee and subrecipient responsibilities and compliance. Commerce also did not effectively manage or monitor grantees' performance, with contracts and other guidance from Commerce lacking sufficient oversight requirements related to reimbursement for grantees. In addition, agency executives in place at the time ignored state rules as well as their own managers' concerns about grant decisions. Moving forward, new leadership at Commerce said the agency has already begun improving accountability systems.

## Commerce neither adopted state-recommended contract management practices nor developed its own

Monitoring and oversight are essential for ensuring grantees deliver on program objectives. Strong performance management helps agencies hold grantees accountable and measure whether programs achieve intended outcomes.

Washington's Department of Enterprise Services (DES) emphasizes such practices in its statewide training and guidance for agency contracts; the state's Office of Financial Management (OFM) also offers more grant-specific advice that addresses similar areas. The leading practices they and other experts in grant management recommend include five essential components that formed part of our review of the Digital Navigator program's agreements with grantees:

1. Develop and use competitive processes to award or expand grants, and require agency staff to follow them

2. Ensure direct grantees and subgrantees are properly vetted and managed to ensure proper accounting for/spending of grant money
3. Develop clear contracts that specify, among other things, the grant recipient's timelines and deliverables, and ensure staff monitor grantee compliance with the contract
4. Include performance goals and measures that grantees and subrecipients must meet, and ensure agency staff have tools to measure performance appropriately
5. Spell out terms for reimbursement in contracts, and require agency staff to follow internal rules concerning payment

State law (RCW 43.330.040) allows agencies to develop and adopt their own rules for awarding grants and entering into grant agreements. However, despite the availability of resources from DES and OFM, and the requirements of state law, Commerce had in many cases not established its own grant management rules, procedures or guidance. Furthermore, where it did formulate set procedures, staff were not necessarily required to follow them. As a consequence, the agency lacked many elements of the five practices needed to support effective grantee oversight.

The problems we found in the Digital Navigator program were tightly interconnected, sharing the same root cause: the failure at many levels of Commerce's leadership in place at the time to establish grant management rules for agency staff to follow and to ensure those rules were enforced. When the Digital Navigator program contracts were signed in 2023, Commerce had no internal procedures for managing contracts – even though the program had already been working with some of the grantees under previous agreements for more than a year without such guidance. Personnel from both Commerce and the Broadband Office told us that leadership had fostered a culture in which programs were not required to follow centralized processes, though there has been turnover in some of those key leadership positions (discussed on pages 18-19). This lack of enforced structure contributed to inconsistent oversight and weakened accountability, while leaving newly hired program managers uncertain about which rules or procedures, if any, applied to them. These issues are discussed at the end of this chapter.

Given the lack of internal rules and guidance, our efforts to assess the agency's Digital Navigator grants against specific criteria were difficult. In their absence, we instead relied on leading practices and existing OFM or DES state guidance to compare our expectations to what we found at Commerce.

## 1. Commerce did not consistently use competitive processes to award or expand grant funds

Guidance issued by OFM, as well as recommended by leading practices, advises that when state agencies begin a competitive grant award cycle, managers direct staff to follow a fair, transparent process to select “applicants best meeting the selection criteria identified by the grantor agency, based on the availability of grant funds.” Such processes typically include a scoring system meant to allow fair evaluation and ranking of each applicant’s strengths or weaknesses.

However, at the time Commerce conducted the grant application solicitation, review and selection processes, the agency lacked policies and procedures related to competitive processes for grants. Although the Assistant Director of Commerce’s Local Government Division said the Digital Navigator program used a competitive process to select the primary grantees, the process used when selecting grantees was unclear. Of the 18 qualified applications for FY 2024, the Assistant Director of Commerce’s Local Government Division and the former program manager chose those ranked 1st, 8th and 18th. Although the score sheet contained explanations for why the applications ranked 2nd through 7th were not selected, it gave no explanation for why seven of the other nine rejected applications were not selected or why the one ranked 18th of 18 received a grant award. Among the decision-making factors included in the scoring system were whether the applicant had demonstrated experience to lead a consortium and descriptions of the applicant’s data collection and performance monitoring plans. Because the score sheets lacked explanations for how staff evaluated such factors, it is possible the final selections included applicants that were not the strongest candidates. Not selecting the applicants ranked as most qualified may contribute to the state not getting the best services at the best value.

Since that grant cycle, Commerce’s chief contracts officer implemented a policy and a procedure for awarding loans and grants, which took effect May 2024 and October 2024, respectively.

### **Commerce expanded grant contracts significantly without using a competitive process**

Although grant contracts may reasonably be expanded in certain circumstances to meet evolving program needs, such increases should be governed by clear policies to ensure transparency and fairness. A policy and related procedure should dictate when such expansions require a competitive process and by how much a contract may be increased. Commerce did not – and still did not as of November 2025 – have a standard in place for when and by how much existing grant-related contracts may be expanded without using the competitive process.

While Commerce had no internal policies for the Digital Navigator program, it was aware of state contracting rules that prohibited amending contracts without competition and increasing awards outside of the original scope. Yet we found at least one contract was amended without a competitive process, and grant amounts were expanded in ways the agency's own contracts office flagged as violations. Despite a warning from a Broadband Office manager, senior executives approved the changes.

## 2. Commerce did not properly vet direct grantees and subgrantees to help ensure funds were used for intended purposes

Guidance on managing grants and similar awards, including those issued by OFM and the State Auditor's Office, stresses the importance of assessing, or "vetting," applicants to ensure they meet the agency's established eligibility criteria. Furthermore, any grant application that allocates funds to a subsidiary organization or person – a contractor, subgrantee or subrecipient – should be scrutinized carefully, and the subgrantees also vetted by the granting agency to ensure they are also eligible. For the 2023-2025 grant contracts, the Digital Navigator program applied a "consortium model" for its grants, in which a lead organization (or direct grantee) would be responsible for serving as the Digital Navigator program's point of contact and providing fiscal oversight of subgrantees. However, the contracts do not clearly state what that fiscal oversight entails.

From July 2022 to June 2023, Commerce approved multiple grant applications despite applicants failing to meet established eligibility criteria. Commerce leadership and the program manager at the time ignored instances in which applicants had not specified whether any previous contracts had been terminated within the past five years or provided an insufficient amount of references required for either the business or its lead staff.

Critically, Commerce lacked a formal procedure for determining subgrantee eligibility. This oversight significantly increased the risk that grant funds intended to promote digital equity might be misallocated or misused. For FY 2024 and 2025, Commerce awarded Digital Navigator program grants to three consortiums, with each consortium run by one of the direct grantees. However, program contracts did not require consortium leaders to assess the eligibility of subgrantees receiving program funds. Notably, one subgrantee – awarded \$500,000 – closed down after its internal investigation into suspected financial mismanagement. At the time of our audit, the agency still lacks a procedure for addressing subgrantee eligibility.

Not rigorously enforcing eligibility requirements can affect the quality of service provided and public confidence. To support accountability, it is essential that Commerce strengthen its application review procedures and implement robust eligibility verification protocols for both direct grantees and subgrantees.

### 3. Contracts lacked clear, specific information addressing grantee and subrecipient responsibilities and compliance

Clear contracts define required activities and deliverables, helping an agency ensure contractor and grantee compliance. OFM guidance around grants suggests contracts might incorporate these elements among others:

- Scope of work
- Requirements and expectations
- Roles and responsibilities, including provisions for management and monitoring
- Time period for performing required activities and delivery dates
- Allowable/eligible costs and the process for and frequency of payments

The three Digital Navigator program's 2023-2025 contracts lacked such clarity. Deliverables were vaguely described, leaving it unclear what grantees were expected to produce or when. Roles and responsibilities for Commerce, lead grantees, consortiums and subgrantees were also not defined, even though the agency adopted the consortium model specifically to address earlier administrative challenges.

For example, the three 2023-2025 contracts required direct grantees to manage subgrantees but did not include any details about what managing subgrantees entailed. Without clear requirements for managing or vetting subgrantees, Commerce risked paying organizations that might not have performed digital navigation work – an issue that contributed to oversight problems discussed on pages 16-17.

### 4. Commerce did not effectively manage or monitor grantees' performance

To manage a grant program effectively, an agency must define how it will measure grantees' performance. Effective performance management typically starts with agency staff deciding the measures they will capture data about. They should

consider measures for both “outputs,” the tangible services provided or delivered by the project, and “outcomes,” the changes or benefits resulting from the outputs. Grant managers can then collect data about the output measures to verify that grantees are delivering the services the agency expects and the outcome measures to assess whether those services achieve the intended results. The agency must also put systems in place to ensure the data collected is accurate and useful, while actively monitoring that information to oversee grantee performance and guide future program decisions.

According to 2024–25 budget provisions, the Digital Navigator program was required to provide one-on-one assistance to underserved populations, including job seekers, students, families, English language learners, Medicaid clients, people experiencing poverty and older people. Grantees were expected to collect demographic data – such as age, race and household status – to help Commerce assess whether services reached these groups. Without meaningful performance data, Commerce would not be able to demonstrate whether the program met its goals or benefited the people it aimed to serve.

In examining the Digital Navigator program, we found that Commerce did not carry out steps for effective performance management, which limited its ability to evaluate grantee performance, ensure data quality and monitor the program effectively.

## **Commerce did not use performance measures effectively to evaluate grantee performance**

Although the program sought to collect outcome data, the information gathered was inconsistent and did not offer a clear view of grantee performance. Contracts required grantees and subgrantees to submit data into a monthly reporting tool outlining their objectives and intended outcomes, but the data submitted was insufficient for assessing whether outcomes were being met. For instance, while the tool included a field for “anticipated measurable outcomes,” it did not ask whether those outcomes were actually met.

The program’s performance tracking tool focused on outputs, such as the number of digital navigator “interactions,” rather than outcomes that showed whether services improved participants’ digital skills or access to resources. One grantee was contractually tasked with overseeing data collection for both its own activities and those of other participating grantees. To facilitate this work, the grantee developed an online tool called the Digital Navigation Monthly Reporting Dashboard. While the dashboard recorded interaction types and demographic details, it lacked measures of impact, such as whether individuals learned to access and use online housing resources. As a result, it provided limited insight into the services’ impact and was unsuitable for evaluating effectiveness.

## Incomplete and inconsistent data management contributed to ineffective oversight

More widely, Commerce's data collection was inconsistent and incomplete. We identified multiple failures around data, some of which can again be traced to inadequate contract provisions. For example:

- **Lack of access to complete data:** One of the three direct grantees stopped submitting data to the primary reporting grantee in mid-2024 due to concerns about data security and methodology. Another never submitted any data, citing tribal data sovereignty rules, which require agreements between tribal nations and agencies before data can be collected.
- **Unclear reporting requirements:** Although contracts required data to be submitted "in a form and format to be provided by the Department," Commerce never provided the format. As a result, grantees used varying and inconsistent data collection methods, making it difficult to analyze or compare their performance.
- **No data validation:** Neither Commerce nor the direct grantee validated the submitted data to ensure accuracy. Categories changed from year to year, and agency staff expressed concerns about how data was entered and interpreted.

Although the program put several mechanisms in place to track performance, none were used in a way that enabled consistent oversight or accountability:

- **Monthly meetings with grantees:** Meetings were inconsistent across grantees. For example, one grantee met monthly with the program manager, while another only met with the program manager one or two times. Communication was largely verbal, and documentation was limited, leaving newer program staff without records to reference.
- **Digital Navigator Dashboard:** Managed by one direct grantee, this dashboard did not include data from the other two direct grantees as intended. As previously noted, the dashboard reported only activity counts rather than performance outcomes.
- **Monthly reporting tools:** The contracts required monthly reports, but those submitted were frequently incomplete or lacked the necessary information to assess grantee progress or success.
- **Grantee tracking spreadsheet:** Maintained by the prior program manager, the spreadsheet was filled out inconsistently and did not document important issues such as contract compliance concerns. It was intended to serve as a centralized record of grantee activities, funding allocations, and key performance milestones throughout the program life cycle.

Because these tools were used inconsistently and lacked documentation, Commerce was unable to hold grantees accountable.

## Without data or monitoring, Commerce cannot make informed funding decisions

Data and performance monitoring are critical not only for day-to-day oversight but also for making informed decisions about future grant funding. Program contracts specified that second-year funding was contingent on deliverables and measurable outcomes. Despite lacking the data needed to evaluate grantee performance, Commerce released second-year funds to all three direct grantees.

Going forward, Commerce will have difficulty identifying underperforming grantees or allocating funding where it is most needed unless it establishes effective performance measurement, data collection and contract monitoring practices.

## 5. Contracts and other guidance from Commerce lacked sufficient oversight requirements related to reimbursement

Grantee contracts stated that the direct grantee was responsible for monitoring subgrantees but did not lay out clear subgrantee reimbursement expectations. Commerce did not provide direct grantees with guidance concerning reimbursement request documentation until there was less than six months remaining in their contracts, even though the consortiums had already been working for more than a year and a half.

### ***Insufficient documentation undermined our ability to verify \$10.7 million in expenses***

The contracts contained only high-level expectations for supporting documentation, stating that they must describe and document, to Commerce's satisfaction, the work performed, project progress and fees. The contracts also stated that invoices must provide a detailed breakdown of each type of expense. However, these high-level expectations were not specific enough to ensure the consortiums had clear guidance on the evidence required to demonstrate that subgrantees had performed digital navigator work. The most significant consequence of the unspecific guidance is that the State Auditor's Office could not verify as allowable almost all the \$10.7 million Commerce paid to one primary grantee: the documentation the grantee provided was insufficient to support the payments. Our work found that most of the expenses that had sufficient documentation were also unallowable.

### ***Some subgrantees had still not been paid as of July 2025***

Subgrantees struggled to get paid during FY 2025 after Commerce stopped issuing payments to one consortium that could not provide adequate supporting documentation required for reimbursement. Commerce ultimately replaced the

role of the consortium and began performing direct oversight of the contracts for nine subgrantees as of July 2025. Commerce accepted reimbursement requests through July 18, 2025, and has since reported issuing payments to grantees who have submitted the required supporting documentation for reimbursement. Commerce is still working to approve more payments; it does not expect to fully review and reconcile documentation needed to reimburse direct grantees or subgrantees until early 2026.

## Agency executives in place at the time ignored state rules as well as their own managers' concerns about grant decisions

In addition to lacking clear grant management expectations, Commerce had no defined processes for program staff to escalate concerns. Furthermore, even problems that were brought informally to the attention of senior leaders were not acted upon or remedied in a way that respected state regulations. The previous Broadband Office director and agency director-level executives disregarded concerns by program staff about whether the appropriate contracting rules were being followed. These actions circumvented internal controls established to safeguard the agency when contracting or issuing grants. For example, in May 2023, the Assistant Director of Commerce's Local Government Division endorsed an additional \$40,000 in funding to a grantee's contract for new focus group work, despite being warned by an employee that Commerce's central contracting office confirmed the agency had already breached regulations by amending its contract and expanding project scopes beyond the limits of the original 2021 Request for Proposals (RFP).

In another example, program staff and managers requested reimbursement documentation from the program's primary grantee before releasing any remaining reimbursements; however, the former Broadband Office director issued a memo directing that payments be made anyway. This decision bypassed the documentation needed to confirm whether expenses were allowable and directly violated the contract with the grantee, which explicitly prohibited advance payments.

### **Actions taken by program leaders and staff may have benefited one grantee and violated state ethics laws**

Behavior by Broadband Office staff and leadership may have translated into financial benefits for the program's primary grantee. As noted above, this grantee's contracts were repeatedly expanded without a competitive process, while it also received reimbursement payments without providing the required documentation. Taken together, these actions show that Commerce's disregard for contracting rules

benefited this organization. Additionally, these actions have left some in the agency with a perception that this grantee was given favorable treatment historically by agency and program leadership. Commerce's internal controls officer confirmed to auditors that the agency has struggled to identify conflicts of interest, largely because it lacks clear policies and procedures for doing so.

Finally, state ethics laws may have been violated when the former program manager accepted a job with the grantee in July 2024, just two months after leaving Commerce. State ethics laws require a two-year cooling-off period before a state employee may accept employment with an organization working on the same contract they worked on when employed by the state. We have referred this matter to the state's Ethics Board for review.

## **New leadership at Commerce has already begun improving accountability systems**

In January 2025, a new Director assumed oversight of the agency. With only five months remaining in the Digital Navigator Program contracts, he halted payments until grantees submitted sufficient documentation to support reimbursement requests. He directed staff to compile information that would give grantees a clearer understanding of the gaps in their submissions to facilitate supportable reimbursements.

## **Commerce managers said turnover and rapid growth in agency responsibilities hindered establishment of consistent practices**

It can be difficult for new leaders at executive and managerial levels to understand and explain operational problems that took place months or years before their arrival. Commerce leaders attributed some of the shortcomings described in this audit report to rapid organizational growth during the pandemic. The number of new employees at the time made it challenging to implement standard procedures and ensure consistent practices. And even though the Digital Navigator program had already been through one six-month grant period, senior executives at that time had not yet decided where the organizational home of the program should be, creating additional uncertainty among staff.

In addition to growth in staff, the Broadband Office experienced significant turnover of staff and managers during the lifetime of the Digital Navigator program, from July 2021 through June 2025, listed in **Exhibit 3** (on the next page).

For example, during the 2023-2025 contract period, the Broadband Office was led by three different directors, the Digital Navigator program had two managers, and the governor appointed a new agency director. This degree of turnover can be costly in terms of recruitment and training while also harming employee morale.

### Exhibit 3 – Leadership turnover and responsibilities at Commerce and the Broadband Office

*Between July 2021, when the Digital Navigator program was established, and June 2025, when the program ceased operations*

Role (number of people who have held this position)	Responsibilities of role
<b>Commerce director</b> (3)	Oversees and manages the department’s operations, enters into contracts on behalf of the state, appoints deputy and assistant directors, and adopts administrative rules in accordance with RCW 34.05, the Administrative Procedure Act
<b>Assistant director for Local Government Division</b> (1)	Coordinating with the Public Works Board and Community and Economic Revitalization Board; support for the State Broadband Office and other units and programs in the Local Government Division
<b>Broadband Office director</b> (3 – plus 3 interim directors)	Leadership and direction of Broadband Office; approvals for operational decisions
<b>Broadband Equity Unit managing director / Digital Equity managers</b> (3)	Leadership of Broadband Office’s Broadband Equity Unit; oversight of Broadband Office’s operations team
<b>Broadband Equity Contracts &amp; Operations manager/Digital Equity program supervisor</b> (2)	Management of interagency agreement with Office of Equity; oversight of Digital Navigator program (with program manager); developing processes and procedures
<b>Digital Navigator program manager</b> (3)	Management and oversight of Digital Navigator program

Sources: Commerce website and news releases, and interviews with Commerce and Broadband Office managers and staff.

### New executives and division managers are now improving or remedying past practices

During the course of this audit, executives and managers at Commerce established new procedures to address some problems we identified in our work, including how the agency awarded grants and loans. They said they have plans to develop additional procedures for activities such as grant management and developing performance measures to evaluate grantee performance.

New executive leaders also acknowledged that past practices at Commerce did not align with established best practices. Beyond producing or revising agency guidance concerning grant management, new leadership at the agency will have to help staff change behaviors – including those that contributed to inappropriate actions noted in this and other audits.

# State Auditor's Conclusions

This performance audit report serves as a case study in how neglecting the fundamental tenets of government accountability can sabotage even the most noble goals.

Access to the internet and the skills to use it are essential in modern life. The Digital Navigator program within the Department of Commerce was a key part of the state's effort to help underserved communities access and navigate online services.

In my view, this report details failures in the management of this program so pervasive they go beyond a lack of basic internal controls. There is no excuse for the myriad actions taken at the time by management at the Department of Commerce, who were tasked with overseeing \$92.5 million in public funds for the Digital Navigator program alone.

As this report details, the department used a questionable process to award program grants. The contracts the agency completed with grantees lacked clear responsibilities. The agency did not vet grantees or their subgrantees properly. It did not track their performance. It did not hold grantees to basic requirements for payments. When department staff raised concerns about reimbursing grantees without evidence of services provided, they were overruled by leadership in place at the time. In addition, a program staff member took employment with a grantee, a potential violation of state rules that requires us to forward this report to the State Ethics Board.

It must be noted that these findings reinforce the conclusions of other recent audits of Commerce, including an accountability audit of the Digital Navigator program that found insufficient documentation for nearly \$11 million in reimbursements to a single grantee.

The Digital Navigator program is not funded in the current biennium. Nonetheless, this report includes recommendations to help Commerce improve its management of grants overall. A companion report offers recommendations for building a successful state digital equity plan, should Washington reinvigorate its efforts. And I have personally been heartened by the commitment to accountability shown by the agency's new leadership this year.

Government accountability, including accountability for grantees, improves results and maintains public trust – trust that I am afraid will be undermined by the severity of the findings we must report here.

# Recommendations

Previous recommendations issued by the State Auditor's Office in the 2025 accountability audit report also addressed the Department of Commerce's Digital Navigator program. They included:

- Develop and implement written policies outlining documentation standards, approval responsibilities and payment processing requirements
- Establish segregation of duties to ensure the review and approval processes are performed by different staff
- Train staff adequately to fulfill job duties effectively
- Implement proper management oversight
- Consider reviewing the payments made without adequate support or evidence of services performed to ensure they were allowable
- Consult with its legal counsel to assess whether to request reimbursement for unallowable payments made to the grantee

Recommendations specific to this performance audit follow.

## For the Department of Commerce

To address gaps in grant management procedures around the expansion of grants, as described on pages 11-12, we recommend Commerce:

1. Develop procedures for when and by how much existing grant contracts may be expanded without reopening a competitive process for additional grant applicants

To address gaps in grant management procedures around the evaluation of subgrantees for eligibility, as described on pages 14-15, we recommend Commerce:

2. Develop procedures that address the verification of grantee eligibility and subgrantee eligibility based on risk

To address the lack of reliable data to evaluate populations served, as described on pages 17-18, we recommend Commerce:

3. Develop procedures to collect grantee data in alignment with Washington's rules for data collection and privacy

To address the lack of adequate performance measures which measure program goals and grantee performance, as described on pages 15-18, we recommend Commerce:

4. Develop procedures that require staff to design clear, meaningful and outcome-based program and grantee performance measures
5. Require the inclusion of performance measure expectations in grantee contracts

To address the lack of formalized procedures for managing grant reimbursements, as described on pages 18-19, we recommend Commerce:

6. Develop procedures for issuing reimbursements that, at a minimum, address:
  - a. Sufficiency of reimbursement documentation
  - b. Grantee contract management and monitoring
  - c. Level of cost verification based on risk
  - d. Escalation of grantee and contract concerns
  - e. Details to be provided within grantee contracts
  - f. Management of consortiums (as applicable)

To ensure management and staff have a clear understanding of the procedures recommended above, we recommend Commerce:

7. Develop training and train staff responsible for developing, signing or monitoring contracts on the established grant management procedures

To address program challenges stemming from issues with culture and tone at the top, as described on pages 19-21, we recommend Department leadership:

8. Collaborate with Commerce's central contracting office to develop and enforce agencywide policies for contract and grant management
9. Define and broadly communicate guidance that underscores the responsibility of senior officials to model compliance, support oversight efforts, and prioritize effective control environments

# Agency Response



## STATE OF WASHINGTON

January 14, 2026

Honorable Pat McCarthy  
Washington State Auditor  
P.O. Box 40021  
Olympia, WA 98504-0021

Dear Auditor McCarthy:

We appreciate the opportunity to respond to the performance audit report, *Assessing the Department of Commerce's Management of the Digital Navigator Program*.

The Department of Commerce agrees with the recommendations in the report. Our response includes information about the broader environment and variables that led to this outcome. While context is important, we acknowledge the errors made and commit to remedying the behaviors, actions, and insufficient internal controls that led to the issues identified. The recommendations will assist the Department's efforts toward continuous improvement, operational compliance, and programmatic excellence.

### **Commitment to the Auditor's recommendations**

In agreement with the State Auditor, the Department commits to ensure:

1. Competitive processes to award or expand grant funds;
2. Proper vetting of direct grantees and subgrantees;
3. Clear and specific responsibilities and compliance for grantees and subrecipients;
4. Performance management; and
5. Reimbursement oversight.

The Department will continue to make improvements in grant management practices, staff training, oversight, and leadership responsibilities to improve internal controls and oversight for program effectiveness and integrity. Only through consistent practice of these improvements will we rebuild transparency, fairness, and ultimately, public trust.

### **Actions taken by new leadership**

As this report notes and appreciates, new executive leadership at the Department took swift and decisive action to address the ongoing issues within the program by listening to staff, legislators and organizations involved in digital equity work, and recommendations from the Office of the Washington State Auditor. The Department immediately facilitated the improvement of accountability and support systems through the creation of a Contracts and Compliance Division, comprised of the Central Contracts Officer and the Internal Control Officer. To mitigate issues with grantee performance and expenditures, this division provides technical assistance and training to build skills with the diverse range of grantees new to state contracting.

**Corrective actions already implemented**

Prior to the issuance of this report and the fiscal year 2023 State Auditor's Office (SAO) Accountability Audit report, the Digital Navigator Program has implemented processes and procedures to ensure funding is provided only to applicants who meet all required minimum and mandatory requirements.

Program staff also received training on how to review payments effectively, ensuring they are for allowable activities as outlined in the scope of grantee contracts and in compliance with all applicable policies. Although the Digital Navigator program ended on June 30, 2025, staff have already completed the following corrective actions:

1. Hired a Tribal Outreach and Engagement Manager responsible for monitoring contracts, reviewing and approving allowable expenses, and developing relationships with Tribes.
2. Provided a payment matrix and increased staff availability for meetings with grantees to provide technical support to meet state and program requirements for reimbursement.
3. Developed program-specific processes and procedures concerning allowable expenses and invoice reviews.
4. Developed checklists outlining notice-of-funding opportunity requirements, which include scoring matrix criteria and alignment of project scope and expenses in grantee contracts.
5. Ensured all staff managing contracts receive training in compliance with state contracting laws and reimbursement processes.
6. Standardized data collection requirements from grantees to include eligibility requirements for program participants.
7. Created additional documents to support FY 2025 grantees, such as an updated project cost tracker, contract closeout checklist and procedures, data reporting tool and related procedures, and device attestation and distribution forms.

**Program closeout and reimbursement efforts**

Funding and contracts for the Digital Navigator Program ended on June 30, 2025. The Department took the extraordinary step of offering the lead grantee consortium to assign its subgrantee contracts directly to the Department, enabling the subgrantees be reimbursed for allowable expenses from January 1, 2025, through June 30, 2025. To date, three out of the 15 grantees have received payment for their services, with additional approvals for reimbursement of digital navigator services provided to local community members anticipated through the end of December 2025.

**Independent reviews to review payments**

As evidence of the Department's commitment to address the recommendations made in this report and in the SAO's FY 2024 Accountability Audit, program staff and managers have worked closely with the Contract and Compliance Division to contract an independent Certified Public Accounting (CPA) firm to review and reconcile the lead grantee's expenses for FY 2025. The report issued by the CPA firm aligns with the Department's internal reviews and reconciliations, performed by Digital Navigator program staff, and the cross-divisional team assembled to pay the subgrantees cited in the previous paragraph for allowable expenses. The Department is collaborating with the subgrantees of the Digital Navigator program to review and reconcile their expenses, as allowed.

In the coming months, the State Broadband Office and the Contracts and Compliance Division will contract with a CPA firm to conduct additional reviews of expenses paid to the lead grantee consortium and its former subgrantees. The review will include more than \$10.7 million in FY 2024 payments. Once the firm's review is completed, the Department will determine the amount owed to the lead grantee or initiate recapture of those funds.

**Commitment to future accountability**

The Department is committed to ensuring all future grants and funds awarded in its care and stewardship will implement the recommendations based on the action steps and timeframes provided. The State Broadband Office, as a business area that reports to the Local Government Division's leadership, is included in these action steps. We take this report and its findings seriously and are committed to demonstrating transparency and accountability as we address the failings identified.

Sincerely,



K.D. Chapman-See  
Director  
Office of Financial Management



Joe Nguyễn  
Director  
Department of Commerce

cc: Shane Esquibel, Chief Operations Officer, Office of the Governor  
Franklin Plaistowe, Deputy Chief Operations Officer, Office of the Governor  
Kenneth Martin, Policy Director, Office of the Governor  
Debbie Driver, Legislative Director, Office of the Governor  
Jesse Jones, Director, Your Washington, Office of the Governor  
Tammy Firkins, Performance Audit Liaison, Your Washington, Office of the Governor  
Scott Frank, Director of Performance Audit, Office of the Washington State Auditor

## OFFICIAL RESPONSE TO PERFORMANCE AUDIT ON ASSESSING THE DEPARTMENT OF COMMERCE'S MANAGEMENT OF THE DIGITAL NAVIGATOR PROGRAM – JANUARY 14, 2026

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The Department of Commerce (Commerce) and the Office of Financial Management (OFM) provide this management response to the State Auditor's Office (SAO) performance audit report received on December 1, 2025.

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### SAO Performance Audit Objectives

The SAO's performance audit addressed this question:

1. Could digital equity programs and initiatives be better coordinated to enhance efficiency, optimize funding and effectively serve Washingtonians?
- 

### Recommendations 1–9 to Commerce in brief:

**SAO Recommendation 1:** To address gaps in grant management procedures around the expansion of grants:

1. Develop procedures for when and by how much existing grant contracts may be expanded without reopening a competitive process for additional grant applicants.

**STATE RESPONSE:** The Department agrees with this recommendation. The Contract and Compliance Division will implement procedures at the agency level, based on Policy 200-03-007, issued on May 1, 2024, in addition to all applicable state and federal laws. The Local Government Division will collaborate closely with the Contract and Compliance Division to support these agencywide efforts by modeling the initial steps to develop and implement these procedures before the established agencywide deadline of June 30, 2027.

### Action Steps and Time Frame

- Issue a directive to ensure Local Government Division leadership and staff follow agency Policy 200-03-007 while also offering resources so staff can implement division and unit-level procedures that outline when and by how much existing grant contracts may be expanded without reopening a competitive process for additional grant applications by Sept. 1, 2026.
  - Establish and continually update an agencywide tracker visible to all agency staff to create accountability and transparency for all grants and loans that have been pre-approved as exempted from the competitive requirement by Jan. 1, 2027.
  - Identify divisions and units in Commerce that demonstrate the highest percentage of exceptions to the competitive requirement for review by the Contracts and Compliance Division on a semi-annual basis by March 1, 2027.
- 

**SAO Recommendation 2:** To address gaps in grant management procedures around the evaluation of subgrantees for eligibility:

2. Develop procedures that address the verification of grantee eligibility and subgrantee eligibility based on risk.

**STATE RESPONSE:** The Department agrees with this recommendation. The Contract and Compliance Division will implement grantee eligibility verification procedures based on risk at the agency level by June 30, 2027, with each division providing procedures to implement this process. The Local Government Division will collaborate closely with the Contract and Compliance Division to lead the path forward and establish these procedures as a model for others to follow.

**Action Steps and Time Frame**

- Identify a team with representatives from each unit or business area in the Local Government Division to collaborate with the Contract and Compliance Division to develop these procedures and model adherence to agencywide efforts to reduce contracting risk by June 30, 2026.
  - Ensure that all Commerce contracts moving forward include a risk-based monitoring plan that is substantially complete by December 1, 2026, before contract signing.
- 

**SAO Recommendation 3:** To address the lack of reliable data to evaluate populations served:

3. Develop procedures to collect grantee data in alignment with Washington’s rules for data collection and privacy.

**STATE RESPONSE:** The Department agrees with this recommendation. The Department has data collection and privacy rules in place. Each grant program is responsible for developing specific procedures for collecting grantee data in alignment with Washington’s rules and Department policies, as well as general procedures.

**Action Steps and Time Frame**

- Implement unit-level procedures to collect grantee data in alignment with authorizing proviso or legislation and Commerce’s policies for data collection and privacy by June 30, 2026.
- 

**SAO Recommendations 4-5:** To address the lack of adequate performance measures which measure program goals and grantee performance:

4. Develop procedures that require staff to design clear, meaningful and outcome-based program and grantee performance measures.
5. Require the inclusion of performance measure expectations in grantee contracts.

**STATE RESPONSE:** The Department agrees with these recommendations. New leadership has refreshed Commerce’s mission, vision and values to reflect who we are, what we stand for, and where we are going together. Each division that manages grants and loans will require its units and business areas to develop and implement performance measures that reflect this refreshed vision, mission, and values, using the new strategic plan as its guiding framework. The Department commits to ensure grantee contracts have clear performance measures in place for progress monitoring.

**Action Steps and Time Frame**

- Ensure that each business area and program has articulated its problem statement, vision, mission and strategic priorities based on Commerce’s strategic plan and values by March 1, 2027.
- Ensure all grantee contracts include meaningful, consistent and outcome-based performance measures. This process will be led through a partnership between the Local Government

Division and the Contracts and Compliance Division to implement this change by November 1, 2026.

- Complete procedures for staff to consistently design clear, meaningful and outcome-based programs and grantee performance measures by November 1, 2026.

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**SAO Recommendations 6:** To address the lack of formalized procedures for managing grant reimbursements:

6. Develop procedures for issuing reimbursements that, at a minimum, address:
  - a. Sufficiency of reimbursement documentation
  - b. Grantee contract management and monitoring
  - c. Level of cost verification based on risk
  - d. Escalation of grantee and contract concerns
  - e. Details to be provided within grantee contracts
  - f. Management of consortiums (as applicable).

**STATE RESPONSE:** The Department agrees with this recommendation. The Contracts and Compliance Division recently launched risk assessment, invoice, cost reimbursement budget, and deliverables-based contracts and monitoring documentation toolkits to provide agencywide guidance for all Department grant program staff to use as examples when adapting to their program contracting needs. The standardization of contract procedures will also create consistent training for Commerce grantees, enabling them to apply for grants and manage their awards more seamlessly and effectively, while reducing risk. Training will be provided to grantees on the need for a statewide vendor number, how to submit an A19, and how to utilize the Contracts Management System.

**Action Steps and Time Frame**

- Establish a requirement for the Local Government Division to collaborate with the Contracts and Compliance Division by creating a team of division representatives charged with serving as the model by developing and adapting the toolkits to the contract needs of their programs by December 1, 2026.
- Create a specialized toolkit through the partnership of the Local Government Division with the Contracts and Compliance Division to develop procedures for designing, managing, collecting consistent data, monitoring, and evaluating a consortium model based on risk assessments by Feb. 1, 2027.
- Establish a complaint process through the Contracts and Compliance Division if senior leaders or executive leadership attempt to override program decisions that could lead to the disruption of internal controls and the payment of allowable expenses in accordance with Commerce policies and procedures by July 1, 2026.

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**SAO Recommendations 7:** To ensure management and staff have a clear understanding of the procedures recommended above:

7. Develop training and train staff responsible for developing, signing or monitoring contracts on the established grant management procedures.

**STATE RESPONSE:** The Department agrees with this recommendation. The new Contract and Compliance Division will develop agencywide training for all Department divisions and programs to implement these procedures by June 30, 2027. The Local Government Division will collaborate with the Contracts and Compliance Division to identify training for all program staff, managers, managing directors,

and directors and tailor each position's role and duties to the appropriate training for contract management, oversight, signing and monitoring.

#### **Action Steps and Time Frame**

- Implement procedures for staff, managers, and leadership onboarding processes, beginning with the completion of the Position Action Request (PAR) form, to require training tailored to each employee's role and legal responsibilities. This training should cover contract management, oversight, and the signing and monitoring of contracts by Sept. 1, 2026.
- Create a Contract Management System handbook and toolkit with short training videos and FAQs with sections tailored for each level of job classes so each can be trained to quickly and efficiently provide oversight of budget decisions tailored to each employee's role and legal responsibilities from contract management, supervision and the signing and monitoring of contracts by Sept. 1, 2026.
- Develop a cadre of Internal Control Plan trainers who can support new staff and each team in developing their Internal Control Plan to be filed with the Internal Control Office and updated as needed by Oct. 1, 2026.
- Ensure that administrative support staff include their supervisor in the final review and submission of the PAR to identify the appropriate training, budget and CMS access for all new employees who are in the chain of command for contract and management oversight duties by Nov. 1, 2026.
- Ensure that position descriptions are updated by January 1, 2027, and annually in sync with Human Resources' current timelines, to reflect staff adjustments to their responsibilities and position expectations in accordance with their appropriate contract management and oversight roles.

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**SAO Recommendations 8-9:** To address program challenges stemming from issues with culture and tone at the top:

8. Collaborate with Commerce's central contracting office to develop and enforce agencywide policies for contract and grant management.
9. Define and broadly communicate guidance that underscores the responsibility of senior officials to model compliance, support oversight efforts, and prioritize effective control environments.

**STATE RESPONSE:** The Department agrees with these recommendations.

#### **Action Steps and Time Frame**

- Establish a requirement for the Local Government Division leadership to issue a memorandum to staff outlining its commitment and roadmap with timelines to fully implement the Central Contracts Division efforts to conduct risk assessments, collect required supporting documentation, perform monitoring and implement internal controls for all grant programs by April 1, 2026.
- Ensure the roadmap and timelines mentioned in the bullet above are up to date and reiterate the Local Government Division's commitment to modeling compliance and oversight behaviors and standards for staff to emulate through June 30, 2027.
- Establish an anonymous formal channel for staff to express concerns when senior officials or division leadership issue verbal or written directives that counter efforts to support agencywide compliance and the implementation of effective control environments by April 1, 2026.
- Ensure a process is in place to prevent senior and division leaders from interfering with the competitive award process and decisions regarding grant management, as led by program managers, through comprehensive ethics training by April 1, 2026.

- Ensure that supervisors have a sufficient budget to perform grant management duties and implement internal controls, compliance, and oversight measures to hire for vacant positions based on established FTEs by February 1, 2026.
  - Implement formal opportunities to celebrate leaders, individuals, and teams who promote exemplary stewardship of public funds and model oversight and compliance. Additionally, train and uplift grantees identified as high risk to ensure they have the necessary tools and resources to successfully manage grant funds by October 1, 2026.
-

# Appendix A: Initiative 900 and Auditing Standards

## Initiative 900 requirements

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. Government Accountability Office government auditing standards.

In addition, the law identifies 10 elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all 10 elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations sections of this report.

I-900 element	Addressed in the audit
1. Identify cost savings	<b>No.</b>
2. Identify services that can be reduced or eliminated	<b>No.</b>
3. Identify programs or services that can be transferred to the private sector	<b>No.</b>
4. Analyze gaps or overlaps in programs or services and provide recommendations to correct them	<b>No.</b>
5. Assess feasibility of pooling information technology systems within the department	<b>No.</b>
6. Analyze departmental roles and functions, and provide recommendations to change or eliminate them	<b>Yes.</b> This audit analyzed the roles and functions related to digital equity efforts of state agencies and digital equity partners and their coordination.
7. Provide recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	<b>No.</b>

I-900 element	Addressed in the audit
8. Analyze departmental performance data, performance measures and self-assessment systems	<b>Yes.</b> This audit reviewed the Digital Navigator program’s performance measures and data.
9. Identify relevant best practices	<b>Yes.</b> This audit identified best practices related to interagency collaboration and statewide implementation of complex initiatives.
10. Analyze the social equity impact of programs or services	<b>Yes.</b> This audit looked at the state’s management and implementation of digital navigator services that were intended to improve equitable access to and skills for using digital services. Intended beneficiaries for the program included underserved populations including job seekers, students, families, English language learners, Medicaid clients, people experiencing poverty and older people.

## Compliance with generally accepted government auditing standards

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards as published in *Government Auditing Standards* (July 2018 revision) issued by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## The mission of the Office of the Washington State Auditor

Our mission is to promote accountability and transparency in government. We work with state agencies, local governments and the public to achieve our vision of increasing public trust in government by helping governments work better and deliver higher value. 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. We provide training and technical assistance to governments and have an extensive quality assurance program. For more information about the State Auditor’s Office, visit [www.sao.wa.gov](http://www.sao.wa.gov).

# Appendix B: Objectives, Scope and Methodology

## Objectives

This report is a companion to a broader audit evaluating Washington State's digital equity strategy. That audit examines whether the state has developed a comprehensive approach to reducing digital disparities and connecting residents to technology resources. It also assesses how clearly roles and responsibilities have been defined, and whether collaboration and coordination among key agencies and partners are effectively structured.

The broader audit sought to answer three central questions:

1. Does the state have a comprehensive strategy to reduce digital disparities and effectively connect Washingtonians to technology resources?
2. Could digital equity programs and initiatives be better coordinated to enhance efficiency, optimize funding and effectively serve Washingtonians?
3. Has the state clearly assigned and managed roles and responsibilities for advancing digital equity?

Findings related to these objectives are presented in the companion report, which focuses on the state's overall strategy and coordination efforts. That report can be found on our website at [\[link to follow on publication\]](#).

Being a companion to this broader evaluation of Washington's state digital equity strategy, this report takes a closer look at the Digital Navigator program through the lens of objective 2 – coordination and oversight. Our key finding is as follows:

- Without proper grant management practices in place at Commerce, the Digital Navigator program lacked oversight at multiple points (pages 11-21) – This finding addresses objective 2.

## Scope

This portion of this performance audit examined how Commerce operated and managed the Digital Navigator program to see how the state's digital equity efforts function beyond planning stages and to see what could be learned from its operations. We examined its policies, procedures and performance management efforts, contracts with program grantees, the program's grantee selection and grant management processes, and program management involving both the program and Commerce.

## Methodology

We obtained the evidence used to support the findings, conclusions and recommendations in this audit report during our fieldwork period (November 2024 to July 2025), with some additional follow-up work afterward. Below, we have summarized the work we performed to address audit objective 2.

To understand current and recent program activities as well as the guidance they used to direct those activities, the audit team interviewed staff, management and leadership at the program, the Broadband Office and Commerce and sent written questions. We also reviewed available policies and procedures related to the program and its grant management activities.

To better understand contracting practices and guidance at the program and Commerce, the audit team interviewed contracting experts at Commerce as well as at the Department of Enterprise Services.

To develop criteria for the contract-related practices at the program and Commerce, the audit team researched contract administration laws and guidance.

To understand guidance for Department staff on what their processes should be for awarding and managing loans and grants and coordinating competitive processes, the audit team requested and evaluated Commerce's relevant policies, procedures and training, such as Commerce's procedure for awarding loans and grants and its training on coordinating a competitive process.

To assess the process the program used to select grant recipients, the audit team identified the program's stated criteria for evaluating grant applications by reviewing documentation provided by Commerce and then compared the scoring sheet Commerce provided against the stated criteria.

### Work on internal controls

We gained an understanding of internal controls as they relate to the operation and management of the program. To assess this internal control, we reviewed policies and procedures at the program and Commerce relevant to the program and to grant awarding and management, as well as contracts with grantees. Additionally, we interviewed staff, management, and leadership at the program and Commerce to understand the limitations of these controls. We determined that Commerce lacked effective internal controls related to state-funded grants, including relevant policies and procedures as well as a culture of effective oversight.



“Our **mission** is to promote accountability and transparency to achieve our **vision** of increased trust in government.

– Pat McCarthy, State Auditor

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