


State Auditor's Office

Statewide Accountability Report

July 1, 2005 through June 30, 2006

A summary of accountability reports of state government and higher education institutions issued by the State Auditor's Office.



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



Washington State Auditor Brian Sonntag

July 20, 2007

Since issuing our Statewide Accountability Report in 2006, we have noted state agencies are continuing in their mission to be more accountable to citizens. We hope this overview of our state agency audit work in the past year will be used as a tool to further promote accountability and improve services.

Each of the reports referenced here can be viewed in their entirety at our Web site, www.sao.wa.gov in the Reports section. Copies of this report are available in the same section, under Statewide Accountability.

If you have questions regarding this report, please contact Director of Communications Mindy Chambers at (360) 902-0091 or chamberm@sao.wa.gov.

Sincerely,

BRIAN SONNTAG, CGFM

WASHINGTON STATE AUDITOR

Financial Accountability Roles and Responsibilities

The duties of public officers and agencies as they pertain to accountability over public resources are spelled out in state law, as are enforcement powers and penalties for noncompliance with financially related laws and regulations.

These responsibilities are designed as a system of checks and balances that provide the foundation for effective fiscal management, including efficient accounting and reporting, and that promote more efficient public management.

Governor, Director of the Office of Financial Management (OFM)

The Governor, through the OFM director, is to “devise and supervise a modern and complete accounting system for each agency to the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state shall be properly and systematically accounted for.” (RCW 43.88.160(1))

The accounting system is to provide accurate, timely records and reports of all financial affairs of the state and to do it in detail sufficient to allow OFM to provide a centralized financial management system. To this end, OFM maintains the accounting procedures manual to be used by state agencies.

OFM also is responsible for developing and maintaining a system of internal controls and internal audits to safeguard state resources; to ensure the accuracy and reliability of accounting data; to promote operational efficiency; and to encourage adherence to accounting and financial control policies.

The law requires OFM to report by December 31 of each year on the status of audit resolution to the appropriate committees of the Legislature, the State Auditor’s Office and the Attorney General’s Office. The Audit Resolution Report is to include information on the actions taken as a result of an audit, including types of personnel actions, costs and types of litigation, and the value of recouped goods or services.

The law states the Director of the Office of Financial Management will “cause corrective action to be taken within six months, such action to include, as appropriate, the withholding of funds as provided in RCW 43.88.110.” (RCW 43.88.160(6)(d))

State Treasurer

The State Treasurer also has a role in management of the state’s financial resources. As the chief fiscal officer, the State Treasurer is responsible for keeping the books and managing taxpayers’ money from the time it is collected until it is spent on programs funded by the Legislature. The Treasurer’s Office provides banking, cash management, investment, debt issuance, and accounting services for state agencies.

The Office is to keep a correct and current account of all money it receives and disburses, by fund or account. This information is regularly updated and reported.

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State Auditor

The State Auditor's Office is responsible for audits of state agencies. The Auditor's Office examines the financial transactions of agencies, compliance with state laws and agency policies and, as of December 2005, performance audits. The Office also performs the annual State of Washington Single Audit of federal money spent by state agencies.

The Office has the authority to take exception to specific expenditures by agencies or to other practices related to an agency's financial transactions.

The results of these audits are reported to the agencies, the public, the Legislature and OFM. The Auditor's Office reports instances of possible misappropriation, misfeasance, malfeasance or nonfeasance to the Attorney General's Office. We also refer reports of actions that may be violations of the state ethics laws to the state Executive Ethics Board.

Joint Legislative Audit and Review Committee (JLARC)

This Committee is part of the Legislative branch of state government. It may audit the financial transactions of any agency and perform management surveys and program reviews, as well as performance audits and program evaluations at the direction of the Legislature. It has the authority to examine the financial records of any agency, official, or employee.

JLARC makes reports to the Legislature regarding whether agencies are making expenditures consistent with legislative intent. It may take exception to specific expenditures or financial practices of any agencies and also may make recommendations for promoting frugality and economy in agency affairs to improve fiscal management.

Higher Education

Higher education entities are divided into two groups: community and technical colleges, and colleges and universities.

The community and technical college system is generally controlled and supervised by the State Board for Community and Technical Colleges, whose duties include preparation of a single budget for the system, establishment of guidelines for disbursement of funds and other financial procedures necessary to supplement general requirements set forth by the Office of Financial Management, the ability to sell, exchange, or convey any or all interest in any community college real and personal property, and the establishment of minimum standards for community college admission and enrollment policies, curriculum content, and instructional and key administrative personnel qualifications.

Community and technical colleges range in size from very small to the third-largest higher education institution in the state. Many of the controls in these colleges are moving to decentralized locations, which increases audit risk depending upon the amount of monitoring performed by the institution.

Washington's four-year universities and colleges were created by state law. Each institution has adopted rules governing operations and is subject to certain federal regulations regarding grant expenditures.

These institutions range in complexity from fairly simple and small in size to very complex. Operations may include instruction, research, police, broadcasting, printing and publications, stores, patents and licensing agreements, facilities construction and maintenance and various operations that provide goods and services for a fee to students and the general public (housing and food services, hospitals, museums, libraries, intercollegiate athletics, parking, creamery, motor pools, laundries, bookstores, etc.). Many of the controls in these institutions are decentralized.

In addition, many two- and four-year colleges and universities have established nonprofit organizations (foundations) that engage in fundraising on their behalf. Their activities are governed in part by an Attorney General's Office opinion issued in 1993.

State Employees

State law is clear on the responsibility of state employees to comply with the law. It says:

"No state officer or employee shall intentionally or negligently: Over-expend or over-encumber any appropriation made by law; fail to properly account for any expenditures by fund, program, or fiscal period; or expend funds contrary to the terms, limits, or conditions of any appropriation made by law." (RCW 43.88.290)

The law also details the penalties for violations. It states that the Attorney General may initiate a civil action to prevent any such violation. It allows judges to assess damages, and fines from an employee found to be in violation, and possible job loss.

In addition, the Legislative Auditor, with the agreement of the Joint Legislative Audit Review Committee, may refer audit findings stemming from a performance audit or its other work to the Attorney General's Office if the Legislative Auditor suspects a violation of state law, or misfeasance, or nonfeasance on the part of any state officer or employee.

Our audit approach

The Washington State Auditor's Office regularly audits more than 160 state agencies ranging in size from the Department of Social and Health Services to the Red Raspberry Commission. All public colleges and universities in Washington are considered state agencies and are subject to audit.

The scope of our audits is twofold. First, financial records are audited to ensure public funds are accounted for and controls are in place to protect public resources from misappropriation, loss or misuse. Second, we audit to ensure agencies adhere to laws and regulations relating to financial matters.

For state agencies, the Office performs audits of:

- Areas that pose the highest risk for misappropriation, misuse or loss of public funds or for noncompliance with state laws and regulations. This report includes a summary of the results of such audits.
- Performance audits of agencies and programs.
- The State of Washington's General Purpose Financial Statements. The most recent Comprehensive Annual Financial Report, which includes these statements, was issued by the Office of Financial Management in December 2006 and is available at <http://www.ofm.wa.gov/cafr>.
- More than \$9 billion in federal funds received by the state. The fiscal year 2006 State of Washington Single Audit Report was issued by the Office of Financial Management in March 2007 and is available at www.ofm.wa.gov/singleaudit.
- Local funds kept by agencies that are not in the care or custody of the Office of State Treasurer. Our most recent Local Funds Report was issued in November 2005 and is available at www.sao.wa.gov/reports/LocalFunds.

We also have responsibilities in three other areas:

- Investigations of potential frauds found in our audits or reported to us by state agencies.
- Investigations of whistleblower assertions filed by state employees.
- Issues of concern regarding state and local governments reported to us by citizens.

Legal Compliance/Accountability Audits

The State Auditor's Office has many competing responsibilities when conducting audits. Our risk-based approach helps ensure our efforts are properly balanced in order to fulfill these responsibilities. We look at areas that are the most important to the citizens of Washington, our audit clients, the Legislature and other policymakers.

The concept of risk-based auditing is driven by the fact that an auditor cannot audit all activities of an entity. This is compounded by the fact that audit resources are limited and audit risk is not. An auditor must therefore decide what is most important to audit. This is done by conducting a risk assessment, which is designed to identify areas of risks, to prioritize those risks and to allocate audit resources accordingly. Properly designed risk-based auditing will ensure the significant areas are audited in the most effective and efficient manner.

The public expects that the State Auditor's Office will detect important financial and compliance-related events. We focus our audits on areas where taxpayers dollars are most vulnerable to misuse, abuse and misappropriation.

Although an entity's risk assessment is substantially done as part of the planning process at the beginning of an audit, it is very much an ongoing effort and may result in changes or adjustments to audit strategies/objectives in response to new information found during the audit.

An auditor's professional judgment drives the risk assessment decision process, which is based on audit knowledge and experience, and on gaining an understanding of an entity's unique operation and audit history, among other things, as elaborated below.

Professional judgment

In planning an audit, auditors perform a risk assessment by evaluating many factors, including:

- Areas of interest to potential users of the audit report.
- An agency's unique mission and function, and the related audit risks.
- An agency's control environment or "tone at the top" regarding accountability for public resources.
- An agency's internal controls over financial statement reporting and safeguarding of public assets.
- An agency's audit history, including management's cooperation and responsiveness to prior audit recommendations.
- An agency's fiscal activity for unusual patterns as compared to its history and established auditor expectations.

We use many techniques to detect misappropriation or misuse of public assets and violations of state laws. Some of those are described below.

- Computer-assisted auditing techniques help us assess risk and accountability. Once we download an audit client's financial transactions, we have software applications that can help us find transactions that are most likely to be fraudulent or out of compliance with laws and regulations. These techniques often help us audit expenditures, but they can be used for any type of financial transaction.
- We use analytical procedures to identify account balances that differ from an informed expectation. We often use these procedures to

audit revenue streams, looking for activity that could point to a loss or misuse of public assets. These techniques tend to be very efficient and provide strong indicators that additional work may be needed to determine whether loss or misappropriation has occurred.

- We audit computer applications looking for access security and other safeguards. These audits are of enormous value in pointing out conditions that could allow misappropriation or loss to occur without detection by management or conditions that could allow destruction of data. Recommendations from these audits have helped state agencies tighten controls over access to computer systems. These audits also have helped our auditors identify areas in which assets are most at risk.

Risk-based auditing allows the State Auditor's Office to optimize the use of our limited audit resources and produce practical and value-added recommendations that help improve state government. The State Auditor's Office is proud to have been a pioneer in developing the art of risk-based auditing since 1994. We are also pleased that risk-based auditing is widely recognized today as the best method for conducting efficient and effective audits, as evidenced by continuing changes in professional auditing standards that emphasize its importance and value.

Performance audits

In November 2005, the voters of Washington approved Initiative 900, which requires the State Auditor to conduct independent, comprehensive performance audits of state and local governments. It specifies that the performance audits be conducted in accordance with Governmental Auditing Standards, which are issued by the Comptroller General of the United States Government Accountability Office. Performance audit reports and general information regarding performance audits are available at www.sao.wa.gov.

Comprehensive Annual Financial Report (CAFR)

The State Auditor's Office performs an annual audit of the statewide combined financial statements as required by state law (RCW 43.09.310). These financial statements are included in the Comprehensive Annual Financial Report (CAFR) prepared by, and available from, the Office of Financial Management at <http://www.ofm.wa.gov/cafr/>. This report is designed to present the financial position and the results of operations of the state of Washington. The Office of Financial Management prepared the first CAFR in 1982. The fiscal year 2006 report was issued in December 2006. Our Office has audited this report since its inception and has issued unqualified opinions every year since 1987. An unqualified opinion means that the financial statements are fairly stated.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's financial operations. For the fiscal year ended June 30, 2006, total state revenues were approximately \$46 billion and total state expenditures/expenses were approximately \$37 billion. Most of this difference was caused by investment gains that resulted in pension fund revenues exceeding expenses by more than \$9 billion.

Since 1987, the state has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This award recognizes conformance with the highest standards for preparation of state and local government financial reports.

Our audit of the financial statements is conducted in accordance with governmental auditing standards generally accepted in the United States of America. These standards require us to plan and perform audits to obtain reasonable assurance about whether financial statements are free of significant misstatement. An audit includes examining evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation.

Federal Compliance

The Single Audit Act of 1984 (and subsequent amendments) established uniform, entity-wide audit requirements for state and local governments receiving Federal financial assistance. Pursuant to the Act, our Office audits the State's expenditures of Federal funds in accordance with the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Single audits, as they are known, include an assessment of agencies' internal controls over Federal programs, tests of those controls, and tests of compliance with Federal requirements. The State reported \$9.5 billion in Federal assistance for fiscal year 2006, including grants, loans, commodities, vaccines and other forms of aid.

We audited the following Federal programs administered by state agencies for the fiscal year ended June 30, 2006:

Department of Social and Health Services

- *Medicaid Cluster Grants*
- *Food Stamp Cluster Grants*
- *Temporary Assistance for Needy Families*
- *Child Care and Development Fund Cluster Grants*
- *Foster Care Title IV*
- *Block Grants for Prevention and Treatment of Substance Abuse*
- *Vocational Rehabilitation Grants to States*
- *Disability Insurance/Supplemental Security Income*
- *State Children's Health Insurance Program*
- *Adoption Assistance*
- *Child Support Enforcement*

- *Social Service Block Grant*

Employment Security Department

- *Unemployment Insurance*
- *Workforce Investment Act Cluster Grants*

Department of Health

- *Special Supplemental Nutrition Program for Women, Infants, and Children*
- *Immunization Grants*
- *Centers for Disease Control – Investigations and Technical Assistance*

University of Washington

- *Research and Development Programs*
- *AIDS Education & Training Centers*

Office of Superintendent of Public Instruction

- *Title 1 Grants to Local Educational Agencies*
- *Child and Adult Care Food Program*

Department of Community, Trade, and Economic Development

- *Low Income Home Energy Assistance Program*
- *Community Development Block Grant*
- *Office of the State Treasurer*
- *Schools and Roads Cluster*

Office of the Interagency Committee

- *Pacific Coast Salmon Recovery - Pacific Salmon Treaty Program*

Community and Technical Colleges

- *Head Start*

Military Department

- *Homeland Security Cluster*
- *Disaster Grants – Public Assistance*

Department of Transportation

- *Federal Transit Cluster*

Our audit identified 34 conditions or concerns significant enough to be reported as federal findings. The 2006 Single Audit Report, which contains the details of those findings as well as the overall results of the audit, is issued by the state Office of Financial Management and can be found at www.ofm.wa.gov/singleaudit/.

Fraud Program

The State Auditor's Office maintains an exceptional program of fraud prevention, detection and education.

Our Fraud Manager monitors all fraud cases throughout the state. In addition, each of our audit teams has designated a fraud specialist.

Fraud prevention and detection are integral parts of our risk-based audit approach. This approach has produced more meaningful information and more recommendations on how to improve accountability in government.

Our fraud training for our own staff and for financial managers in state agencies and local governments provides real value. Annually, we train more than 2,500 government employees on fraud prevention and detection. While it is difficult to quantify how much fraud is prevented by these efforts, we believe it to be significant.

More information on our Fraud Program is available at www.sao.wa.gov/fraud.

Whistleblower Program

The State Auditor's Office administers the State Employee Whistleblower Program, which was created in 1982. The goal of this program is to give state employees a vehicle to report suspected improper governmental actions, with protection against retaliation. The Washington State Human Rights Commission is responsible for investigating claims of retaliation filed under the Act.

Under the Whistleblower Act (RCW 42.40), an improper governmental action is defined as an action by a state employee that results in a gross waste of public funds, violates a state or federal law or rule, or poses a significant danger to public health or safety. Personnel-related actions such as dismissals, grievances and disciplinary actions are specifically excluded as other avenues are available to address these issues.

As the definition of an improper governmental action can be any violation of a state or federal law or rule, we investigate a broad range of cases, ranging from misuse of public resources to determining if appropriate permits were obtained for a project.

Information regarding the Whistleblower Program, including reports, is available at www.sao.wa.gov/whistleblower.

Statewide Technology Audit Team

When conducting audits at state agencies, auditors use our Statewide Technology Audit Team to review internal controls related to information

technology. When reviewing information systems, we look for computer controls that ensure:

- Integrity of information.
- Availability of information.
- Management's control over information, which includes access to the data and programs, as well as confidentiality issues.
- Audit trails that show the source of the information, including who entered the information into the system, and how it was entered.

In order to assess whether controls are present to address these areas, a review may cover both application-specific controls and general controls.

Application Controls

During a review of a specific application, the information technology auditor seeks to identify controls that ensure the accuracy and completeness of entry, processing and output of information.

General Controls

During a review of general controls in place at an agency, the information technology auditor identifies controls in the following areas:

- Organization of the agency.
- Physical security of the data.
- Electronic access.
- Backup/recovery plans.
- Application design.
- How software changes are managed.
- How the operating system is configured.

Our information technology auditors typically do not perform full application or general control reviews in which all aspects are reviewed. As with other audits performed by the State Auditor's Office, the Statewide Technology Audit Team takes a risk-based approach and looks at areas in which state resources are at the highest risk. The team also takes a cycled approach to audits, where areas not reviewed in one audit cycle may be reviewed in another.

Audit Approach

When identifying controls in the above areas, the information technology auditor determines risks that may be present in the system and develops expectations of controls that could be put in place to address those risks. Generally, the information technology auditor is looking for controls that

are programmed. Where programmed controls are not found, the auditor seeks to identify compensating controls. In the absence of compensating controls, the information technology auditor reports a control weakness to other auditors and to the agency.

Computer-Assisted Audit Techniques

The Statewide Technology Audit Team assists our other auditors by obtaining information from agency computer systems that are used in our audits of individual agencies. The Team assists the other audit teams in performing computer-assisted audit techniques related to the statewide issues audits, agency legal compliance audits, local government audits, the financial statement audit and the State of Washington Single Audit.

Quality Assurance Program

Our Quality Assurance Program focuses on the effectiveness of our system for ensuring audit policies, procedures, and other centralized audit guidance reflect current professional standards and a risk-based audit philosophy. The system for achieving these objectives is a team called Team Audit Support.

In addition to independently assessing the effectiveness of Team Audit Support's processes for providing audit guidance to all audit personnel around the state, Quality Assurance assesses the staff's understanding and application of the Office's centralized audit policies by conducting quality assurance reviews of audits conducted throughout the year. These reviews consist of an analysis of actual audit work using specialized check lists designed to help identify items such as opportunities to improve staff training in specialized audit areas; develop better audit tools to increase audit efficiency; and clarify existing or develop new audit policies and procedures.

The Office's quality assurance program provides an objective and effective process for evaluating audit quality on an ongoing basis. This helps ensure audits of governmental entities in Washington state reflect the highest professional auditing standards, and provide citizens with accurate and reliable financial information about their government.

State agencies without findings

The following is a list of accountability audits that we conducted at state agencies during fiscal year 2006 that did not have any conditions resulting in a finding. We do not audit all state agencies on an annual basis.

Office of Administrator for the Courts	Health Care Facilities Authority
Department of Agriculture	Horse Racing Commission
Washington State Arts Commission	House of Representatives
Department of Community, Trade and Economic Development	Indeterminate Sentence Review Board
Department of Corrections	Board of Industrial Insurance Appeals
County Road Administration Board	Department of Information Services
Court of Appeals	Joint Legislative Audit & Review Committee
Criminal Justice Training Commission	Commission on Judicial Conduct
Department of Ecology	Legislative Transportation Committee
State Board of Education	Department of Licensing
Employment Security Department	Liquor Control Board
Environmental Hearings Office	Washington State Lottery Commission
Office of Financial Management	Military Department
Department of Fish and Wildlife	Municipal Research Council
Forensic Investigation Council	Department of Natural Resources
State Gambling Commission	Personnel Appeals Board
Office of the Governor	Board of Pilotage Commissioners
	Department of Printing

State agencies without findings, cont.

Office of Public Defense	Bellingham Technical College
Public Disclosure Commission	Bellevue Community College
Public Employment Relations Commission	Center for Information Services
Department of Retirement Systems	Central Washington University
Department of Revenue	Centralia College
Citizens Commission on Salaries for Elected Officials	Clover Park Technical College
Office of the Secretary of State	Columbia Basin Community College
Senate	Community Colleges of Spokane
Sentencing Guidelines Commission	Eastern Washington University
State Board of Education	Edmonds Community College
Statute Law Committee	The Evergreen State College
Office of the Superintendent of Public Instruction	Grays Harbor College
Supreme Court	Lower Columbia College
Tax Appeals Board	Peninsula College
Traffic Safety Commission	Renton Technical College
Transportation Commission	Seattle Community Colleges
Transportation Improvement Board	Shoreline Community College
Office of State Treasurer	Washington State University
Department of Veterans Affairs	Western Washington University
	Yakima Valley Community College

State agencies with findings

This section encompasses all state agencies in which we reported accountability findings during fiscal year 2006. You may read the entire text of these findings by going to www.sao.wa.gov, selecting “reports” and searching by the report number.

Administrative Hearings Office – Report No. 6657

1. The Office of Administrative Hearings does not have adequate internal controls over payroll which resulted in a misappropriation of \$55,360.

Department of General Administration – Report No. 6600

1. The Department of General Administration did not enforce the fee structure prescribed in its intergovernmental agreement with political subdivisions, which resulted in a loss of \$110,950.

Department of Health – Report No. 6625

1. The Department of Health has not established sufficient internal controls to safeguard gift cards used as incentives for participants in research studies done for the Centers for Disease Control and Prevention Investigations and Technical Assistance Program.
2. The Department of Health is not complying with federal requirements for time and effort reporting for the Centers for Disease Control and Prevention Investigations and Technical Assistance grant.

Health Care Authority – Report No. 6660

1. The Washington State Health Care Authority did not comply with Basic Health program requirements for recertification of certain enrollees.
2. The Washington State Health Care Authority did not comply with state rules and regulations regarding contracts.

Washington State Historical Society - Report No. 6656

1. The Washington State Historical Society has not completed an inventory of historical artifacts.
2. The Washington State Historical Society's internal controls over the State Capitol Museum's cash-receipting are inadequate.
3. The Washington State Historical Society internal controls over its local bank account and investments are inadequate.

Human Rights Commission - Report No. 6659

1. The Washington State Human Rights Commission does not have adequate internal controls over disbursements and cash-receipting.

Interagency Committee for Outdoor Recreation – Report No. 6608

1. The Interagency Committee for Outdoor Recreation did not comply with federal requirements for suspension and debarment for the Salmon Recovery Program.

Department of Labor and Industries – Report No. 6611

1. The Department of Labor and Industries' pension payment system lacks adequate internal controls to ensure that public resources are safeguarded.
2. The Department of Labor and Industries' Crime Victim's Compensation Program lacks adequate internal controls to ensure that public resources are safeguarded.

Department of Social and Health Services – Report No. 6663

1. The Department of Social and Health Services does not have adequate internal controls over the processing of expenditures through the Agency Financial Reporting System.
2. The Department of Social and Health Services, Division of Developmental Disabilities, does not include required insurance language in contracts with individuals and agencies who provide transportation for clients of supported living services.
3. The Department of Social and Health Services does not have adequate controls to ensure all payments through its Social Services Payment System are supported and approved.
4. The Department of Social and Health Services, Division of Child Care and Early Learning, did not perform adequate monitoring for background checks.

Department of Social and Health Services' Medicaid program – Report No. 6585

1. The Department of Social and Health Services, Aging and Disability Services Administration, does not ensure providers of home health care services are Medicare-certified as required by the Medicaid State Plan.
2. The Department of Social and Health Services is not complying with federal regulations that require people receiving Medicaid benefits to have valid Social Security numbers.
3. The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to prevent Medicaid payments for services provided after a client's death or to prevent payments for services provided to individuals using the Social Security number of a deceased person.
4. The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate controls to ensure compliance with Medicaid requirements to identify third parties responsible for payments for pharmaceutical services.
5. The Department of Social and Health Services, Health and Recovery Services Administration, has not established sufficient internal controls to support decisions on the eligibility of clients enrolled in Medicaid's Basic Health Plus Program.
6. The Department of Social and Health Services, Health and Recovery Services Administration, does not have adequate controls to ensure claims for wheelchairs and wheelchair accessories are properly authorized as required by law.
7. The Department of Social and Health Services, Health and Recovery Services Administration, is not complying with federal requirements to defer Medicaid expenditures related to undocumented aliens as instructed by the Centers for Medicare and Medicaid Services.
8. The Department of Social and Health Services paid providers with Medicaid funds through the Social Services Payment System for services to clients using Social Security numbers belonging to deceased persons.
9. The Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, are not ensuring compliance with federal law regarding hospital surveys.
10. The Department of Social and Health Services, Aging and Disability Services Administration, does not perform certification surveys of Intermediate Care Facilities for the developmentally disabled according to federal law.
11. The Department of Social and Health Services does not have adequate internal controls to ensure clients seeking to obtain medical benefits through the Medicaid program have applied according to federal regulations.
12. The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure that final settlement amounts are refunded to the federal government, and in a timely manner.
13. The Department of Social and Health Services, Health and Recovery Services Administration, has not established internal controls sufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.

14. The Department of Social and Health Services does not have adequate controls to ensure home health agencies are licensed, Medicare-certified and have signed Core Provider Agreements as required by law.
15. The Department of Health does not retain documentation that would provide evidence to ensure all home health agency providers performed criminal background checks and obtained disclosures on employees having unsupervised access to vulnerable adults and children, as the law requires.
16. The Department of Social and Health Services does not have adequate controls in place to ensure providers of durable medical equipment exist, are properly licensed and have submitted accurate information.
17. The Department of Social and Health Services is not adequately reviewing pharmaceutical claims to identify patterns of fraud and abuse.
18. The Department of Social and Health Services has not established effective procedures in all Administrations to ensure compliance with the federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.
19. The agreement between the Department of Health and the Department of Social and Health Services, Health and Recovery Services Administration, covering hospitals' survey activities does not comply with federal requirements

Washington State Patrol – Report No. 6582

1. The Washington State Patrol did not comply with fee increase limitations.

Department of Transportation – Report No. 6627

1. The Department of Transportation's Washington State Ferries Division does not have adequate controls over ticket sales and revenue collection.
2. The Department of Transportation does not have adequate internal controls to ensure compliance with federal and state laws for leased properties on a timely basis.
3. The Department of Transportation does not have adequate internal controls in place to ensure gasoline purchased is for authorized purposes.

Pierce College – Report No. 6610

1. Pierce College did not have adequate internal controls to ensure all vacation leave taken by employees was recorded in the payroll system.

University of Washington – Report No. 6581

1. University of Washington Press cannot demonstrate its internal controls are adequate.

Wenatchee Valley College – Report No. 6649

1. Wenatchee Valley College had inadequate controls over purchase card expenditures, which resulted in unallowable and questionable expenditures.
2. The Wenatchee Valley College bookstore does not have sufficient internal controls over its inventory and financial operations.
3. Wenatchee Valley College had inadequate controls over library inventory.

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Julie Cooper	Constituent Administrator	(360) 902-0377
Main Line	Receptionist	(360) 902-0371
Toll-free hotline to report government waste, fraud and efficiency		1-866-902-0366
www.sao.wa.gov		



Mission Statement

The State Auditor's Office independently serves the citizens of Washington by promoting accountability, fiscal integrity and openness in state and local government. Working with these governments and with citizens, we strive to ensure the efficient and effective use of public resources.

In accordance with the Americans with Disabilities Act, this document will be made available in alternate formats.

Please call (360) 902-0370 for more information